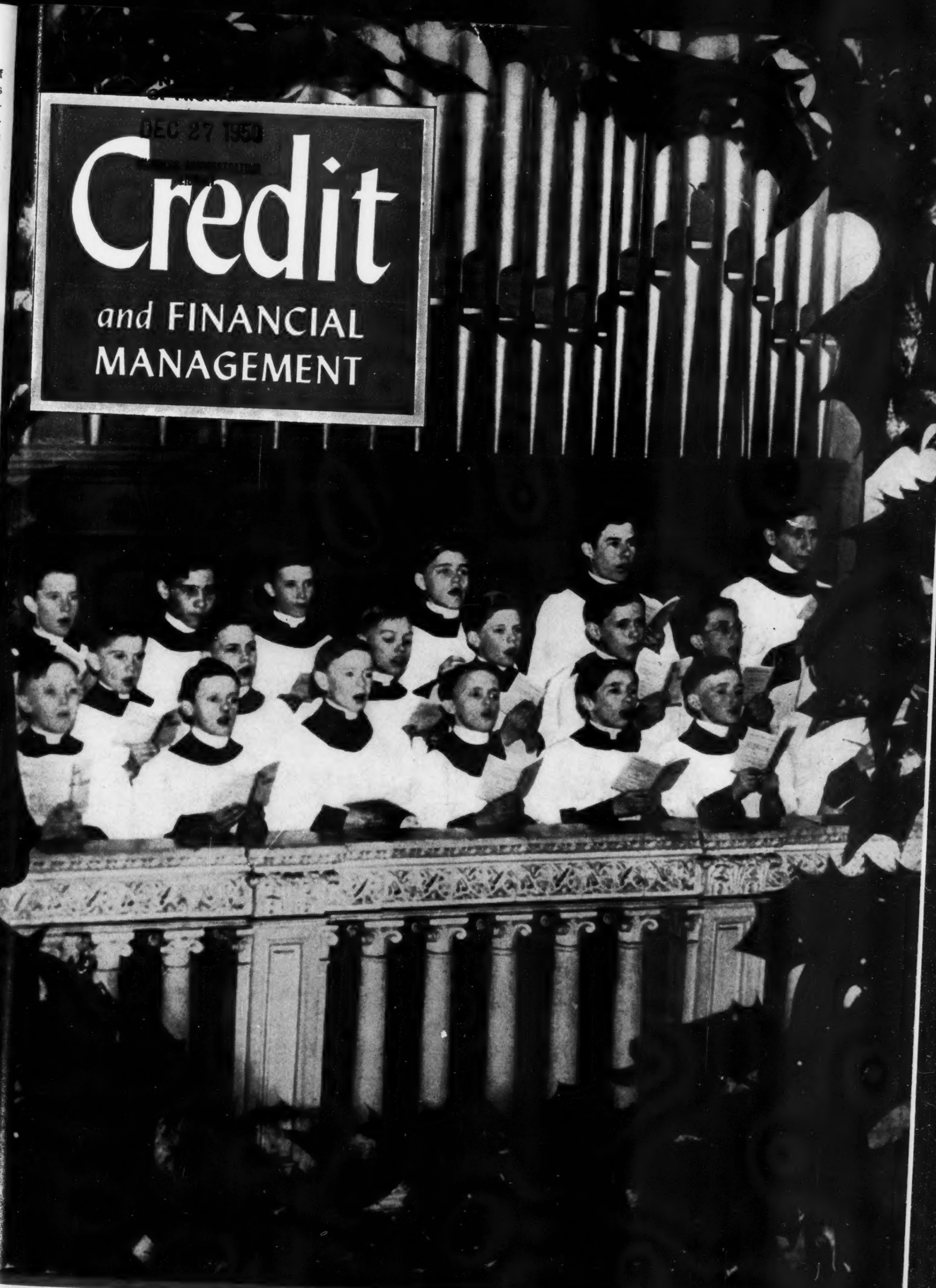
Credit and FINANCIAL MANAGEMENT



A. Devaney, Inc.

DECEMBER 1950

Famous American Homes

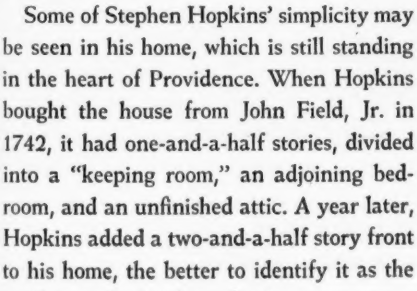
Home of Stephen Hopkins

"powder and ball will decide this question"

"My hand trembles, but my heart does not," said palsied Stephen Hopkins of Rhode Island when he signed the Declaration of Independence. Two years before, at the First Continental Congress, Hopkins had anticipated the struggle for independence. Then he had said, "Powder and ball will decide this question." Both statements were the sentiments of a simple, brave and forceful man.

Some of Stephen Hopkins' simplicity may be seen in his home, which is still standing in the heart of Providence. When Hopkins bought the house from John Field, Jr. in 1742, it had one-and-a-half stories, divided into a "keeping room," an adjoining bedroom, and an unfinished attic. A year later, Hopkins added a two-and-a-half story front to his home, the better to identify it as the residence of a bright and rising young man.

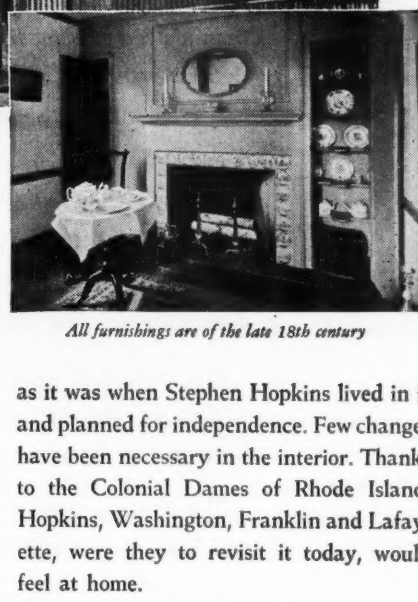
Stephen Hopkins was self-educated. Yet he influenced much of the early history of Providence and Rhode Island. He was Chief Justice of the Supreme Court of Rhode Island. He was ten times governor of the state. When he bought his home, Providence was a small town: inhabitants, 4,000; mills, one; churches, five; taverns, several. Hopkins urged and effected the establishment of newspapers, libraries, banks and schools. He was responsible for moving Brown University (then Rhode Island College) into Providence, and he served as its first chancellor. Still he found time to be a moving spirit of the American Revolution.



The panelling over the fireplaces is one of the chief charms of the Stephen Hopkins House

In his Providence home, Hopkins entertained the great men of the times: Washington, Franklin, Lafayette, and many others. One of Washington's visits, in 1776, has given rise to two anecdotes. When the general arrived, Governor Hopkins and his wife were in Philadelphia, and Hopkins' stepdaughter, Ruth, substituted as hostess. Neighbors urged upon her fine food and service for her guest. Ruth refused the offers, saying, "What's good enough for my father is good enough for General Washington." It was on this visit, too, that Stephen Hopkins' home joined those whose boast is that "Washington slept here." The proof is a crack in the low, plastered ceiling . . . when Washington rose in the morning, he forgot how tall he was and struck his head.

With the exception of an added door, a copy of one of the same period, the exterior of the Hopkins' home is much as it was when Stephen Hopkins lived in it and planned for independence. Few changes have been necessary in the interior. Thanks to the Colonial Dames of Rhode Island, Hopkins, Washington, Franklin and Lafayette, were they to revisit it today, would feel at home.



All furnishings are of the late 18th century

* * *

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Editorial

"This is the truth sent from above"

HISTORY records no greater event than the birth of Jesus. His natal day is the most peaceful day in the year. It is a day of family emphasis, for the family is a Divine Creation. Its acceptance as a day of meditation, of worship and of joy is common to people of all faiths.

The teachings of Christ and His Sermon on the Mount are basic to all religions and beliefs. Agnostics, atheists, communists or other groups may deny His being but they cannot deny His influence. His life, His love for man, His courage, sacrifice and devotion have always challenged those who would erase or destroy His beliefs and principles. Not once but many, many times tyrants have sought to replace Him. They failed. They will always fail.

Today we are faced again with this challenge—this time from the Communists. Let the world heed the words of the Master and "beware of false prophets which come to you in sheep's clothing but inwardly they are ravening wolves." They are intent on destroying the law and the prophets, not to fulfill them.

Irrespective of faith, as long as we truly worship, as long as we earnestly desire and are willing to fight and sacrifice for the true way of life God will strengthen us in our endeavors and insure our civilization. It could not be otherwise; it will not be otherwise.

For is it not written that "the rain descended and the floods came, and the winds blew and beat upon that house; and it fell not; for it was founded upon a rock."?

So long as the world endures this rock will be imperishable; and unto eternity will shine the everlasting star of the east and the west—the star of all life. May this beacon of civilization illuminate the minds of those who are intent on destruction so that we may yet enjoy in our lifetime peace on earth, good will toward men.

HENRY H. HEIMANN,
EXECUTIVE MANAGER

COMING EVENTS

1951

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55th

Annual

Credit

Congress

◆

May 13-17

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Boston,

Mass.

Credit and FINANCIAL MANAGEMENT

DECEMBER, 1950

Official Publication of the National Association of Credit Men

VOLUME 52, NUMBER 12

CONTENTS

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CCA

Published on the 15th of each month by the National Association of Credit Men, 1309 Noble Street, Philadelphia 23, Pennsylvania. Entered as second class matter December 22, 1933, at the Post Office at Philadelphia, Pa., under the act of March 3, 1879. Subscription price $3.00 a year, 25c per copy; Canada, $3.50; all other countries, $4.00 postpaid.

Some Reflections on

Discrimination in Sales Transactions

By DUDLEY L. MILLER

Member, Gerdes & Montgomery, New York

TO BE discriminating is generally thought desirable. It is acknowledged that one should exercise discerning judgment in conducting his affairs. On the other hand, to be discriminatory in these times of labor, racial, and military strife is, to say the least, unfashionable.

Yet the difference between these two words is more than semantic. It represents a practical recognition that all things can be carried too far, that acuteness, a valued attribute in business, may be warped to other ends than commerce in good faith, or, even if in good faith, to ends which are thought unjustified in the large. Conversely, it recognizes that to label as unfair discrimination legitimate efforts to separate wheat and chaff would outrageously hamper the necessary flexibility of business management in making its decisions. The epicureans urged, "Function to insensibility," whereas Socrates cautioned, "Nothing too much."

Excessive claims of discriminatory conduct are numerous and striking. Many examples could be drawn from the fields of labor relations, racial and religious questions, and in politics from the recent Korean War, in which the North Koreans asserted that it was they who were bullied and set upon last June.

WHETHER, therefore, one is viciously discriminatory or laudably discriminating may sometimes depend upon the point of view of the judger. To avoid vagaries, organized society, in the English-speaking nations at least, largely entrusts to the legislature and judiciary the task of preserving the desirable and impeding or removing the undesirable. It is then seen that the task of dividing discriminating conduct from discriminatory is to determine what is socially useful and what is not.

In terms of commerce from the credit manager's point of view, the problem lies in a choice of policy—he must give exacting scrutiny to his firm's customers, yet not obstruct worthy sales by a niggardly attitude on credit; he must not unjustly deny to one and grant to the other; to repeat, he must be discriminating, but not discriminatory.

What criteria does he have to aid him? At what point may his straying from accepted norms impose upon his company liabilities to the government, customer, or competitor? In sum, when does discrimination in sales transactions cease to be just and become a lightning rod to attract civil litigation or even governmental investigation and supervision?

ONE of the most primary of legal questions encountered by credit managers is whether one may arbitrarily refuse to sell to given customers, or, if a decision to sell is made, whether one may stipulate that the sale shall be only for cash. The general answer is, of course, that any seller may choose his customers according to his own criteria and upon electing to sell may extend credit or not as he wishes. At once, however, this broad solution of the problem must be qualified because of the many federal statutes enacted to control the unsound features of modern economic life.

When the refusal to sell occurs only in connection with a single prospective buyer and a single prospective seller, the resulting economic effects are few and not widespread. Let us take for simple example the refusal of the village blacksmith to shoe Farmer Clayton's horse because of a personal quarrel between them. The villagers are little affected, and probably Farmer Clayton can take his horse to a neighboring town for shoeing.

This simple case is well paralleled by the facts in *Great Atlantic & Pacific Tea Company v. Cream of Wheat Company,*[1] in which the cereal manufacturer, after selling its product to the A & P chain for a number of years, changed its policy to confine its sales exclusively to wholesalers. It appeared that the cereal known as Cream of Wheat is a by-product of the production of wheat flour from wheat, known as "purified middlings." Without submitting the middlings to any process or treatment and without adding anything to them, the Cream of Wheat Company selected and packaged middlings of high quality and

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Address before Hardware Manufacturers Dvision, National Association of Credit Men, at Hotel Statler, New York, November 2, 1950.

1. 227 Fed. 46 (2nd Cir. 1915).

sold its selections under its trade name. Noting that this field of business could be entered by anyone and that the Cream of Wheat Company had no monopoly or even quasi-monopoly, the court held that a refusal to sell was a personal prerogative of the seller and categorically stated:

"We had supposed that it was elementary law that a trader could buy from whom he pleased and sell to whom he pleased, and that his selection of seller and buyer was wholly his own concern. 'It is a part of a man's civil right that he be at liberty to refuse business relations with any person whomsoever, whether the refusal rests upon reason, or is the result of whim, caprice, prejudice, or malice.' Cooley on Torts, p. 278. See, also, our own opinion in Greater New York Film Co. v. Biograph Co., 203 Fed. 39, 121 C.C.A. 375.

"Before the Sherman Act it was the law that a trader might reject the offer of a proposing buyer, for any reason that appealed to him; it might be because he did not like the other's business methods, or because he had some personal difference with him, political, racial, or social. That was purely his own affair, with which nobody else had any concern. Neither the Sherman Act, nor any decision of the Supreme Court construing the same, nor the Clayton Act, has changed the law in this particular. We have not yet reached the stage where the selection of a trader's customers is made for him by the government."[2]

Speaking of the same simple type of situation, the United States Supreme Court in 1897—long before the extraordinary development of the modern corporation as an outstanding economic and social factor resulted in remedial legislation—expressed as follows the freedom of a seller at common law to select his customers:

"The trader or manufacturer . . . carries on an entirely private business, article to different individuals; he may charge different prices for the same and can sell to whom he pleases; he may charge as much as he can get for the article in which he deals, whether the price is reasonable or unreasonable; he may make such discrimination in his business as he chooses, and he may cease to do any business whenever his choice lies in that direction. . . ."[3]

RETURNING for a moment to the village blacksmith and Farmer Clayton, let us suppose that instead of a simple quarrel between the two men, we have several friends of the blacksmith joining him in boycotting the farmer. They refuse to buy his produce; they prevent him from transporting it to market; they decline to be employed by him when a little help would save his crops. Then we have a more serious situation, with more people involved and obviously more widely influential effects upon the local economy.

When translated into terms of the corporate era, the village quarrel indeed assumes importance. The Sherman Act in fact was designed in part to prevent such undesirable combinations. That Act in general declares illegal all contracts, combinations or conspiracies in restraint of interstate trade or commerce, and monopolizing, attempting to monopolize, combining or conspiring to monopolize any part of interstate trade or commerce.

Proceeding under this legislation, the United States filed a criminal complaint against a coal company and several railroads, alleging that they had concertedly refused to sell and transport coal to one Sharp, a retail coal dealer, unless he agreed to discontinue his practice of selling at a price of 50¢ a ton less than the usual retail price then prevailing in his locality. Pointing to the combination of persons allied against the coal retailer as opposed to the mere refusal to sell to him, the court said:

"The gist of the offense charged in the indictment was not the refusal of the coal company and Moore to sell coal on the purchaser's terms, or of the railroad companies and Buckingham to transport it. It was the combination so to do, and if there was no combination there was no offense There was no law which forbade the coal company to prescribe the terms on which it would sell its product to Sharp, or to any other purchaser. There was no law which required the coal company to sell its coal to Sharp on the terms which he prescribed, or to sell it to him at all. It had the undoubted right to refuse to sell its coal at any price. It had the right to fix the prices and the terms on which it would sell it, to select its customers, to sell to some and to refuse to sell to others, to sell to some at one price and on one set of terms, and to sell to others at another price and on a different set of terms. There is nothing in the act of July 2, 1890, which deprived the coal company of any of these common rights of the owners and venders of merchandise, and if it did not combine with some other person or persons so to do its refusal to sell its coal to Sharp unless he would withdraw his advertisement of a reduction in his retail price of it was not the violation of the Sherman anti-trust act charged in the indictment."[4]

TO GIVE a second example, in *Eastern States Retail Lumber Dealers Association v. United States*,[5] decided by the United States Supreme Court, a number of retail lumber dealers had created an association for the concerted, systematic, and periodic circulation of the names of wholesale lumber dealers engaged in interstate trade purported as soliciting from or selling directly to consumers rather than through the retailers. Although each retailer was left free to act upon this information as he saw fit, the reports were circulated with the intention and effect of causing the retailers to withhold their patronage from the listed wholesalers. Such a combination was held directly and appreciably to impair interstate trade in violation of the Sherman Act, the Court saying:

"A retail dealer has the unquestioned right to stop dealing with a wholesaler for reasons sufficient to himself, and may do so because he thinks such dealer is acting unfairly in trying to undermine his trade. 'But,' as was said by Mr. Justice Lurton speaking for the court in Grenada Lumber Co. v. Mississippi, 217 U. S. 433, 54 L. ed. 826, 30 Sup. Ct. Rep. 535, 'when the plaintiffs in error combine and agree that no one of them will trade with any producer or wholesaler who shall sell to a consumer within the trade range of any of them, quite another case is presented. An act harmless when done by one may become a public wrong when done by many acting in concert, for it then takes on the form of a conspiracy, and may be prohibited or punished, if the result be hurtful to the public or to the individual against whom the concerted action is directed.'

"When the retailer goes beyond his personal right, and, conspiring and combining with others of like purpose, seeks to obstruct the free course of interstate trade and commerce and to unduly suppress competition by placing obnoxious wholesale dealers under the coercive influence of a condemnatory report circulated among others, actual or possible customers of the offenders, he exceeds his lawful rights, and such action brings him and those acting with him within the condemnation of the act of Congress, and the District Court was right in so holding."[6]

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2. *Id.* at 48-49.
3. U.S. v. Trans-Missouri Freight Ass'n., 166 U.S. 291, 320-321 (1897). The Court's broad statement regarding the charging of different prices for the same article to different individuals must of course be read in the light of the subsequently enacted Robinson-Patman Act of 1936. See discussion, *infra*.
4. Union Pacific Coal Co. v. United States, 173 Fed. 737, 739 (8th Cir. 1909). As in footnote 3, *supra*, note should be made that the court's reference to selling at different prices and terms to different people must be considered in the light of the Robinson-Patman Act of 1936. See discussion, *infra*.
5. 234 U.S. 600 (1914).
6. *Id.* at 614.

It must therefore be concluded that under the Sherman Act the common-law right to select one's customers has been qualified to the extent that the refusal must not be part of a plan in combination with others to apply economic pressures upon the buyer.

RECALLING for a last time the case of Farmer Clayton and the blacksmith, we find another undesirable situation if it is assumed that there is no other blacksmith within miles, and no one else is equipped to offer substitute services. While the arbitrary refusal of the blacksmith to shoe Clayton's horse or even the horses of several farmers would probably not create a dislocation severe enough to reach the ears of the King, the ugly symptoms of monopoly are clearly apparent.

An analogue of this local situation was presented by far more complicated facts in the case of *United States v. Klearflax Linen Looms, Inc.*,[7] which again involved the Sherman Act. Klearflax was the only manufacturer of linen rug materials in the United States, although it enjoyed the protection of no patents or trade secrets which would prevent competitors from entering its field. Customarily its products were marketed on a national scale through a system of distributors and jobbers who were assigned respective territories of operation. So far as the evidence showed, there were no restrictions placed upon the distributors and jobbers to prevent them from selling Klearflax products to governmental agencies or, more specifically, from bidding upon a certain United States General Schedule Contract.

Floor Products, Inc., had been a distributor of Klearflax products for a number of years. Early in 1944, Floor Products, without the knowledge of Klearflax, entered its bid on the General Schedule Contract for linen rugs, at a lower price than that which Klearflax entered for the same product. Before the government had acted upon the submitted bids, Klearflax learned of Floor Products' action and made immediate attempts to induce withdrawal of its bid, even suggesting that Floor Products profess having mistakenly bid on the rug contract. Floor Products refused to carry out any such subterfuge and ultimately was awarded the contract. Thereupon Klearflax began to exert every effort to exclude Floor Products from the field of government business by refusing to sell to it any linen floor coverings. Despite the fact that Klearflax had promised to give to Floor Products a substantial increase in its monthly volume if it would cancel its bid on the government contract, all orders from Floor Products were either filled in minute quantities or returned with the explanation that production facilities were not available to fill them. Accordingly, it was impossible for Floor Products to fulfill its commitment on the government order, until finally a representative of the Navy Department communicated directly with Klearflax and obtained the necessary goods for completion of the contract.

THE following year, however, Floor Products again bid on the General Schedule Contract, again underbid Klearflax, and again was awarded the contract. Upon learning this, Klearflax removed Floor Products from its previous status as a distributor and designated it as a jobber, a classification depriving it of the higher discount allowed to distributors.

In the action commenced by the United States to enjoin Klearflax from monopolizing or attempting to monopolize the sale of linen rugs in interstate commerce to the United States, Klearflax's basic defense was that it had an absolute right of customer-selection by which it could include or exclude Floor Products as it saw fit. Rejecting this position, the court said as follows:

"Nor will it avail the defendant to urge that it could discharge all distributors and jobbers and draw to itself the entire sales of its product. That situation is not now present. We are confronted with a situation where the products of Klearflax are flowing through the channels of interstate commerce by the efforts and sales of distributors, jobbers, and others. As long as that system of interstate distribution exists, no one can wrongfully monopolize that trade, and the monopoly which Klearflax rightfully enjoys as a manufacturer cannot be utilized for any illegal purpose. Klearflax has requested and used the aid of others in the distribution of its product, and as one of such distributors Floor Products had a right to carry on its business as a seller of linen floor coverings in interstate commerce, free from any monopolistic limitations. While Klearflax can select its customers and can refuse to sell to those with whom it does not desire to do business, it cannot refuse to sell if its design and purpose is to establish a wrongful monopoly. The prevention of competition herein was to enable Klearflax to fix a price for its linen rugs to the Government—a price that was higher than that charged to any distributor, jobber or even to certain retail department stores.

* * *

"The purpose of the Sherman Act is to establish a free market in any kind of goods in interstate commerce where competitors may have a free opportunity to compete. The attempt of Klearflax, therefore, in the light of the facts herein, to monopolize any part of such trade by refusing to sell, was wrongful. It is urged that Klearflax has a right to draw to itself any business which will enhance its own returns, but its acts were not directed to any legitimate business venture to enhance its own business, but rather was a designed attempt to monopolize the government business under the General Schedule Contract. In other words, it was not a legitimate business practice to attain a lawful end. A refusal to sell, while it may be lawful per se, cannot be used in order to achieve an illegal result."[8]

Any seller in a position of monopoly or near-monopoly should therefore carefully examine the surrounding circumstances before refusing to sell to a customer who may be a potential competitor.

BRIEF mention should be made of the Clayton Act as amended by the Robinson-Patman Act of 1936. This Act, among other things, prohibits price discrimination (except when based on difference in grade, quality, or quantity, or made in good faith to meet competition,[9] or when an allowance for difference in the cost of sale or transportation is made), if the effect of such discrimination may substantially lessen competition or tend to create a monopoly in any line of commerce. Specific provision is made, however, that nothing in the Act shall "prevent persons engaged in selling goods, wares, or merchandise in commerce from selecting their own customers in bona fide transactions and not in restraint of trade."

In spite of this express clause, a

7. 63 F. Supp. 32 (D. Minn. 1945)

8. *Id.* at 38-39.

9. Whether this provision of the Robinson-Patman Act is substantive or procedural is now being litigated in Standard Oil Co. v. Federal Trade Commission, 173 F. 2d (7th Cir. 1949); cert. granted, 338 U.S. 865 (1949); restored to docket or re-argument, 339 U.S. 975 (1950).

(*Continued on Page 26*)

An under-developed science—
CHARTING RATIOS

by ELMER AGNEW
General Credit Manager, Campbell Soup Company, Camden, N. J.

CHARTING ratios from balance sheets and operating statements is a subject that does not seem to have been given as much attention in our work as other pressing and more prominent problems, because the value of this information may be considered somewhat debatable. It has occurred to me that the various trade groups might submit the idea for full study with three objectives; first, to determine in what form the schedules should be prepared; second, what ratio comparisons are most desirable; and third, the possibility for yearly distribution nationally through some clearance center.

Of course, no discussion of charting ratios can be undertaken without giving full credit to Mr. Roy A. Foulke of Dun & Bradstreet for laying the groundwork with his excellent yearly tables on the fourteen important ratios on manufacturers, retailers and wholesalers.

I have been experimenting for several years with charts (Example #1) divided into three groups—wholesalers, cooperatives and chains (including super markets). Two other national food houses with whom I have exchanged ideas have tackled the subject from two other entirely different angles—one, on an analysis of wholesalers' operating ratios by volume of sales (Example #2), the other on wholesale grocers also, divided into sizes of net worth (Example #3). Consequently, there is some proof of interest in compiling this information and its value in our work but we do not all approach it from the same point. My idea has been to center the analysis around a breakdown by types of business. The two other charts shown are concentrated on wholesalers; one, volume of sales, and the other by size of net worth.

ON A project of this type, the question always arises whether the results justify the effort. It is likely first reactions will be that the time involved is tremendous, but that is only partially true, depending upon the manner in which the work is planned. Our compilation is accomplished piecemeal over a period of about six months.

The credit men handling the desks of our four geographical divisions receive statements and they set the figures down on a trend sheet (Example #4). This trend sheet is part of our regular handling of financial statements. At the bottom, under ratios, you will see that we include, among other entries, the merchandise and working capital turnover which give us the two balance sheet percentages we use in the charts, leaving only three operating ratios to be figured separately. For the actual work on this chart, each man maintains a rough work sheet blocked out for the ratios, and as each analysis is completed, the three operating ratios are quickly figured and inserted with the two balance sheet ratios on the work sheet. Then, when the bulk of the statements have been received, the figures are boiled down into general averages for the chart.

In the past we have included only end-of-the-year figures, compiling the chart in May, but we now propose to carry through possibly to September to give effect to mid-year figures as well, which should provide more representative ratios since there is a growing trend to use other than year-end figures in fiscal closings. We may also add another balance sheet ratio for Debt to Net Worth. This will show in general averages by types of operation the amount we, as creditors,

PECENTAGES AGAINST GROSS SALES
1949 FINANCIAL STATEMENTS

General Averages	Gross Profit	Net Profit	Salaries	Merchandise Turnover	Working Capital Turnover
WHOLESALERS					
No. of Accounts	161	172	38	174	174
High %	18.7	5.30	7.9	24.5	37.9
Low %	2.12	1.28	3.46	10.13	9.37
Average	8.19	1.49	3.80	11.09	11.51
CO-OPERATIVES					
No. of Accounts	30	33	8	34	34
High %	8.4	3.07	3.6	23.9	26.8
Low %	3.31	0.06	1.6	3.91	4.69
Average	4.93	0.88	2.73	11.02	13.09
CHAINS—INCLUDING SUPER MARKET CHAINS					
No. of Accounts	17	24	5	24	24
High %	20.9	6.6	11.5	24.39	31.4
Low %	2.4	0.64	4.1	6.06	8.3
Average	15.93	2.00	7.95	15.89	18.62

Exhibit 1

OPERATING RATIOS OF WHOLESALE GROCERS - 1949

ANNUAL SALES ($250,000 - $500,000)

Quartile	No. of Firms	Upper Quartile	Median	Lower Quartile
Gross Profits before Purchase Discounts	7	8.9	6.9	6.3
Gross Profits after Purchase Discounts	12	9.0	7.7	7.4
Total Wages, Salaries and Officers' or Partners' Withdrawals	6	5.5	3.8	3.7
Warehouse Expense*	5	1.2	.9	.8
Delivery Expense*	5	1.14	.94	.79
Selling Expense*	3	.82	.80	.62
Administrative Expense*	7	.95	.78	.62
Total Expenses	7	3.18	2.58	2.10
Net Profit after Salaries and Withdrawals	10	1.41	1.07	.63

ANNUAL SALES ($500,000 - $2,000,000)

	No. of Firms	Upper Quartile	Median	Lower Quartile
Gross Profit before Purchase Discounts	11	8.59	5.86	5.05
Gross Profit after Purchase Discounts	24	8.39	7.12	6.00
Total Wages, Salaries and Officers' or Partners' Withdrawals	24	5.45	3.49	3.28
Warehouse Expense*	23	.70	.58	.32
Delivery Expense*	21	1.21	.76	.46
Selling Expense*	20	.56	.27	.09
Administrative Expense*	24	1.24	.69	.40
Total Expenses	24	7.95	6.30	5.10
Net Profit after Salaries and Withdrawals	24	1.46	.95	.40

* Exclusive of all salaries and wages.

Exhibit 2

have at stake in the business compared to the owners' investment.

SINCE we handle credits for the whole country directly and exclusively from headquarters and have four units within the department, each handling one geographical division, we naturally have at the outset four separate charts; one for New England, one for Middle Atlantic, one for South and Southwest, and one for Middle West and Pacific Coast. Consequently, when we compile the information in chart form for our own use, we further break down the three types of business into four geographical divisions, but the example shown represents the general averages for the country as a whole, broken down three ways only—wholesalers, cooperatives and chains, including super markets.

Actually, the differences between territories is not too great. For instance, the gross profit for wholesalers in New England and Middle Atlantic is identical, with the net profit in Middle Atlantic higher, but by only ⅓ of 1%. The merchandise turnover and the working capital turnover are practically alike in both sections. The gross and net profits for the other two divisions are almost identical, but somewhat lower than New England and Middle Atlantic. Other patterns of similar nature form themselves in analyzing territories against each other in the charts for cooperatives and chains, but in aggregate the differences are not too imposing.

ON OUR charts, we also include two additional columns not shown in the example. These two additional columns are set up as a guide for prescribing limits and are headed, "Percentage of Average Ledger Balance to Working Capital" and "Percentage of Average Ledger Balance to Monthly Sales." In calculating these two percentages, we take the normal average balance from the accounts receivable ledger which provides the usual credit requirements of the customer, and when we have used this to figure the percentage against either the working capital or average monthly sales, we have given ourselves a fairly good yardstick for figuring limits.

On this problem of finding a gauge for limits, the territorial breakdown is somewhat more important than in the ratio charts, for we have shown some rather wide variances between sections of the country. We must bear in mind that a gauge for limits produced by this

WHOLESALE GROCERS (NOTE: These are December, 1948, figures.)

	Net Worth	No. of A/Cs		Times Current Assets to Cur. Liab.	% Cash Assets to Cur. Liab.	% Net Work Cap. to Inv.	Days Collection Period	Times Sales to Mdse.	Times Sales to Net Worth	% Fixed Assets to Sales	% Net Profit to Sales	% Net Profit to Net Worth	% Net Worth to Debt	% Fixed Assets to Net Worth
Upper Quartile	Up to 50,000	4		3.69	86.68	97.91	10.83	10.95	11.85	2.53	1.80	14.50	202.65	30.08
	(50. to 100,000	7		3.59	94.24	106.09	22.22	8.54	9.48	2.26	2.29	20.24	231.	17
	(100 to 200,000	8		12.29	293.39	139.47	13.73	7.90	5.58	4.18	1.71	7.49	1384.33	16.77
	(200 to 300,000	6		5.88	111.16	107.	11.20	8.84	7.03	2.08	1.51	8.76	495.14	1308
	(300,000 and up	6		6.87	190.83	122.76	12.88	9.35	6.99	2.72	2.84	8.66	454.60	19.57
		31	Average	6.46	155.26	114.64	14.17	9.12	8.18	2.75	2.03	11.93	553.54	19.30
Median	(Up to 50,000	9		1.78	54.83	67.19	17.82	10.11	13.25	1.15	.96	6.21	94.27	15.53
	(50. to 100,000	15		2.01	47.79	72.25	12.87	9.74	12.03	2.98	1.23	13.67	132.47	27.40
	(100 to 200,000	15		2.82	59.24	86.72	10.71	8.46	9.71	1.55	.92	7.90	166.99	13.14
	(200 to 300,000	12		2.69	68.14	84.04	12.78	9.16	7.88	3.23	2.92	12.56	218.92	18.86
	(300,000 and up	12		2.43	85.23	94.20	14.20	13.98	11.82	1.93	1.11	11.77	151.85	20.30
		63	Average	2.34	63.04	80.88	13.67	10.29	10.94	2.17	1.43	10.42	152.90	19.04
Lower Quartile	(Up to 50,000	4		1.21	30.90	35.12	11.73	16.66	25.48	3.13	.10	3.73	52.14	45.10
	(50 to 100,000	7		1.50	23.08	42.21	7.82	8.97	12.30	3.45	1.27	13.32	100.29	35.68
	(100 to 200,000	8		1.77	21.38	41.65	7.18	10.30	14.47	3.65	.81	12.23	92.68	42.23
	(200 to 300,000	6		1.82	50.75	65.06	13.35	7.64	7.57	4.34	1.04	7.51	114.42	31.02
	(300,000 and up	6		1.67	36.98	71.99	8.64	10.77	9.42	5.29	1.43	10.29	129.64	33.10
		31	Average	1.59	32.62	51.20	9.74	10.87	13.85	3.97	.93	9.41	97.83	37.43
	Accounts	125												

Exhibit 3

TREND SHEET →

(Exhibit 4)

method or by any other method has to be tempered with the conditions on the actual case under review, but it does set up a guide.

Geographical divisions in charting, except for information computed on limits, possibly have rather limited value. In considering any plan for national clearance, it probably would be sufficient to determine merely what ratios are most interesting for the country as a whole broken down by types of business, or size of business based on annual sales volume or net worth.

Mr. Foulke's tables and most other methods employ the Upper and Lower Quartile and the Median. There is no argument against the soundness of this method, but my chart (Example #1) shows merely the one single high and the one single low ratio plus the average. That plan was followed for its simplicity and to save time in the preparation because we decided that in the final analysis, our interest would center primarily in the average with the one single high and low ratio giving merely an idea as to the overall range.

The three divisions on types of business are adequate under our distribution set-up but many other food houses might be interested in some manufacturing ratios in addition to our three-way breakdown for wholesalers, chains and cooperatives.

IT SHOULD be noted that all of our ratios are based on gross sales, not that this was considered the best denominator but because gross sales would offer a more uniform base and be made available in many more instances than other more preferable denominators. Cost of sales undoubtedly would be a better medium for figuring ratios. Profits then would be eliminated and provide a natural and possibly truer result.

The objection arises over the varied methods used to describe and figure the net sales or cost of sales. For instance, some profit and loss statements commence with "Net Sales," whereas we would prefer the heading to be "Gross Sales."

(*Continued on Page 24*)

CUSTOMER'S NAME____________________

Date of Statement			
ASSETS			
Cash			
Accts. Receivable			
Bills "			
Merchandise, Unencumbered			
" , Encumbered			
TOTAL CURRENT ASSETS			
Real Estate			
Machinery and Equipment			
Furniture and Fixtures			
TOTAL FIXED ASSETS			
TOTAL ASSETS			
LIABILITIES			
Accts. Payable			
Notes " (Banks)			
" " (Others)			
TOTAL CURRENT LIABILITIES			
Mortgages, Real Estate			
TOTAL INDEBTEDNESS			
Capital Stock			
Surplus			
Reserve			
NET WORTH			
TOTAL LIABILITIES			
Working Capital			
Yearly Sales			
Monthly Sales			
RATIOS			
Current Assets to Cur. Liab.			
Sales to Mdse. (Turnover)			
" Accts. Receivable			
" " Payable			
Sales to Working Capital (Turnover)			
Net worth to Total Indebtedness			
Dun's Ratings			
Insurance on Merchandise			
Insurance on Fixed Assets			
Remarks			

Is There Madness in his Methods?
(Part II)

by HELEN M. SOMMERS
Credit Manager, Trojan Hosiery Mills, Indianapolis

AT THIS stage of our progress in evolving a system of credit analysis with a scientific approach, we are in the process of forming questions that will help us to size up our customer's methods of operation, using for comparative background what we know and can find out about how similar businesses perform similar operations. Last month we talked about buying. This month we will talk about methods of distribution both at wholesale and retail levels, about financing, record keeping and personnel organization, and about production. Since a firm that manufactures goods must produce them before they can sell them, let's look at that operation first.

A manufacturer's headaches are many. When he styles and designs his product and plans his output, he has to anticipate the trend of consumer preference and demand far enough ahead to allow time for the delivery of his raw materials, its processing in his plant, and the distribution of the finished product through one or more intermediary channels to the consumer. And when a manufacturer sells to other manufacturers he is one step further back in the pipe-line from producer to consumer. Any successful producer has to watch demand and supply at many levels of distribution: his own, the various stages of marketing through which the product passes after it leaves his plant, and those through which the raw material passes before it is delivered to him.

But he can't gear his operations to respond directly and immediately to fluctuations of supply and demand. He has to whittle off the peaks and dump the whittlings in the valleys in order to follow a more level production pattern. The wheels must be kept turning in order to hold a staff of skilled workers and avoid idle plant loss, for heavy fixed charges continue their merry pace come high water or low production.

A producer has to keep up with changes in machinery design, new processes, new materials. And untangle the snarls in labor-management relations, knotty problems to say the least.

Well, let's leave the poor producer nursing his headaches and formulate the questions that will provide the background of general information we need before we can size up our particular manufacturer's productive operations. (See November issue for discussion of ways of acquiring evaluative background data. Also *"Where Shall We Find the Answer?"* July and August issues.)

WHAT product or line of products is manufactured? Do industries of this kind require heavy investment in machinery and tools? What is the average life of the machinery? If there are periodic changes in styling does it require corresponding changes in tooling? How often?

Have important changes been made in machinery designing in this field in the past five years? Has this resulted in greater hourly output per machine? Is less manpower required per machine? Has it resulted in important changes in the character and styling of the product? Have these changes been widely adopted in the industry?

Have there been significant changes in this product in the past few years as to material used? Process employed? Have these changes been widely adopted by producers? And accepted by consumers?

On the latest type machinery what is the average length of time required to process a product of this kind from first operation to finished product? Does the product deteriorate with age? Rapidly? Does it become obsolete due to changing style or season in the course of six months? Roughly what per cent of the cost of this kind of product represents material, and what per cent labor? (Useful in interpreting balance sheets and operating statements when no specific breakdown of this kind is available from the customer.)

Is the supply of skilled labor for this industry chiefly concentrated in particular geographical areas? Where are they? Is the labor in this industry widely organized in the country? Or in certain geographical areas? Where? In general what is the strike-history in the industry since 1945?

Are industries of this kind chiefly concentrated in particular geographical areas because of nearness to or easy transportation of raw materials? Or cheaper labor? For what other reasons? In what areas? Have recent changes indicated new trends toward greater concentration? New areas of concentration? Greater dispersion?

What are the chief raw materials

used? Were they considered "critical materials" of war in World War II? Were they frozen against use in civilian products of this kind?

As WE proceed to our questions about our particular **customer,** you will note that while some of them are answerable from mercantile credit reports, financial statements, information from the customer's bank, from your salesman, and from other creditors, many of them, on the other hand, rely for their answers upon data obtainable only by direct contact with the customer in your office and at his place of business.

It is recognized that investigative trips to study the customer's operation at first hand before a new account is established are not prevalent and are ordinarily made only when the size and extent of the risk are unusual. But regular check-up trips to established accounts are more prevalent, and wherever the character of the creditor's distribution makes it at all feasible it certainly should be in the credit manager's schedule. In the case of marginal accounts it is almost a must. A "casual drop-in visit" which actually is for the not-so-casual purpose of checking on change not only keeps the credit manager in close touch with trends in his customer's business, but incidentally adds to his store of general background information.

IN EITHER case, whether used at the time of opening an account, or upon later check-ups, the questions in this chapter should provide a fairly comprehensive outline of what to nose around for, in some cases with direct questions, and in others simply by keeping eyes and ears open.

Then, of course, many of them can be the subject of conversation, casual or otherwise, when Jones calls at the creditor-company's place of business as some Jones' do either on an original buying trip when the account is opened, or on subsequent ones. And important details can be picked up from salesmen about the operations of customers they have just called upon. In general, before an account is opened, get as much of this information as the nature of the risk seems to require. After it is opened, a weather eye on the actual physical details of operation from whatever source they are available, is one of the best ways of catching change-signals that may indicate unhealthy trends.

The subject of change again calls for the reminder that it is easy to lapse into date-unconsciousness when we are studying credit data. And not being highly conscious of dates leads to ignoring the possibility of change. That leads to static evaluations, and static evaluations lead to disaster. For while we are hanging on to our static notions, the facts are changing constantly.

Whatever you add to a credit file from your own direct investigation, date, then arrange it in sequence with the dated information in formal reports. It is sequence that suggests *trend,* the scientific substitute for static evaluation. These questions, like those last month, are frequently worded in the past tense to remind you that your information is probably not up to date at the time you are analyzing it.

AT DATE of investigation, how old was the machinery? Has any machinery been purchased since date of financial statement? What value? How was it financed? If any was bought in the past five years was its design in line with current trend?

Did the product seem to follow current trends in design, material? Were late processes being used? As a rough criterion of quality, what percentage of goods shipped last year were returned for credit? (Did this firm grant return privileges to customers for other than defective goods?) Was organized process and testing research being carried on?

Last year did this unit manufacture for stock, or only against contract? If both, in what ratio? (Important later for study of financial statement: the size of finished inventory, its rate of turnover, and the adequacy of working capital.) Has this practice changed since statement date?

At date of investigation, what was the average length of the processing period? What was the production capacity per week in finished units? Was the plant working at capacity? Had there been recent shut-downs? Due to labor difficulties? Lack of material? Were the production workers organized? CIO? AFL? What was the life of the union contract in effect at date of investigation? What is the strike history of the past five years? Have labor-management conferences been held regularly? Is this business located near the supply of raw materials? Near the labor supply if this is concentrated?

SINCE an understanding of selling practices in the industry help us to understand those of our particular manufacturing-customer, and both throw light back upon his production procedures, questions about sales distribution and the problems that affect it naturally follow:

Roughly, how many manufacturers in the U. S. make products of this kind? What was the total sales volume of this product in the U. S. last year? If more than 50 per cent of total output in the country is confined to ten manufacturers or less who are they? Through what channels does a manufacturer of this kind and quality of product usually market its goods? Distributor, other manufacturer, wholesaler, retailer, importer-exporter, etc. Do they sell under exclusive dealer franchises? Is price controlled under Fair-trade agreements?

Are the sales usually made from the factory? From sales offices or display rooms in other cities? In concentrated areas? Where? Does the seller send traveling salesmen to the buyer or does the buyer come to the market?

In this type of product which predominates: standard brands, private brands, unbranded goods? What are the trends in packaging and sales presentation? What per cent of sales is usually spent for advertising?

What terms of sale are usually granted? What delivery terms? Are seasonal datings usually given? When is the peak selling season? Are goods sold on consignment?

What was the average ratio of annual sales to closing finished inventory in this industry last year?

Are other manufacturers in this line currently quoting immediate delivery? Or how many weeks later? Is this a normal seasonal trend? If not, is it due to restricted produc-

tion? Or unusual demand at wholesale and retail levels? Are wholesalers and retailer customers doing forward buying? To the extent of how many months? What is the trend of wholesale prices in this line? What is the current trend of consumer demand? In general are sample stocks of goods on dealers' shelves to take care of consumer demand?

AS TO our particular manufacturing customer:

If the output in the industry is concentrated in a few businesses is this firm one of them? What was its sales volume last year? What per cent of total volume for the industry? Who are its competitors selling the same general kind and quality of merchandise, through the same channels? What was the relative size of this firm's volume last year compared to total for the industry?

Is this factory or its sales office located in one of the usual market areas? Does it sell from display rooms? By traveling salesmen? Are branch offices maintained? Where?

At date of check-up how diversified was distribution: Were the products being sold to other manufacturers? Distributors? Wholesalers? Retailers? Importers-exporters? To a diversity? In how many different lines of business? Over what geographical area were customers distributed? Approximately how many customers were in the books? If only one principal customer was being sold was it an affiliate? Does analysis of its latest statements indicate a healthy trend?

Was the product being sold under standard brand, supported by national advertising beamed to the consumer? Magazine? Radio? TV? Any recent changes in this plan?

Does the firm maintain an organized styling and designing department? Did conversation with principals indicate that this firm has been regularly shopping the market for comparative products? New designs? Carrying on systematic studies of consumer preference? Studying trade journals that report changes in packaging, materials used, processes, etc.?

On what terms has this unit been selling its merchandise? F.O.B. where? Is this usual?

What was the ratio of sales last year to closing finished inventory? How did this compare with the industry? Was the size of the inventory justified by price-trend at the time? What is the price-trend since statement date?

SINCE manufacturers, when they do not sell to distributors and wholesalers, sell directly to wholesalers' customers, our questions to be used in analyzing a wholesaler's distributing practices resemble many of those already posed, and may be summed up briefly:

Do wholesale businesses in this line sell locally and nearby or distribute more widely throughout the country? If the latter, are there particular geographical areas in which they are concentrated? Where? Are goods sold by traveling sales force? Catalog? Show room? Do they sell to manufacturers? Retailers? Others? Are their customers predominantly small operators? Does the merchandise handled represent most of the articles usually sold by a particular kind of retail operation (drugstores, grocery stores) or only one item in a retailer's stock (hosiery).

Is there a peak selling season? When? What are the customary terms of sale? Special datings? What is the average merchandise turnover in the industry? Average gross profit?

As to our particular customer in the wholesaling business we may ask:

Is the business well-located: In a town that is a wholesaling center? To what geographical area does it sell? Are competitive wholesalers located in the same area? Is the business located out of the high-rent district in its particular city? In a neighborhood where other wholesale businesses are concentrated?

Is distribution well-diversified: To how many customers has it been selling? Distributed over how wide an area? Manufacturers? Institutions? Retailers? To how many kinds of retail operations? To a diversity of large and small operators?

Has it been selling on regular terms? Through display rooms? Traveling sales force? Catalogs? Did it carry a stock of goods and do its own shipping last year? Or order goods drop-shipped direct from manufacturer? (Mill-agent operation. Important to know in evaluating adequacy of working capital at last financial-statement date.) What has been its practice since statement date?

Has it been advertising in trade magazines?

What was the rate of its merchandise turnover last year? Was this normal compared to others? What was the per cent gross profit realized last year? Normal?

COME now the business operations that directly serve Mr. and Mrs. Consumer and their offspring. We are first concerned with general retail selling practices in our customer's line of business. Here we may ask:

Questions that will help us to evaluate the suitability of our customer's location: What has been the usual practice and what is the trend in selecting locations for stores selling merchandise of this kind and quality? Central business district? Fringe of central district? Midtown? In a concentrated area of shops selling high-priced lines? Low-end merchandise? Community shopping center? Near adequate parking space?

Questions about appearance and lay-out: In stores selling this kind and quality of merchandise what is the practice and trend in store-front construction and outer appearance as to materials? Size and design of window display space? Window lighting? Outdoor signs? Entrance design, etc.? Have there been important changes in the past few years and extensive remodeling along these lines?

What are the usual types of fixtures for displaying and selling merchandise? Have there been important changes in their design in the past few years? What is the current trend in decorating, lighting, floor covering? Is air conditioning customary? What are some of the usual plans of store layout for stimulating and taking advantage of intra-store traffic?

The usual selling terms? Cash? Charge-account? Installment? What per cent down-payment? Length of contract?

(*Continued on Page 28*)

Are Credit Men

Scorekeepers or Players?

by PHILIP J. KELLY

Director of Advertising and Promotion, National Distillers Products Corp., New York

THAT'S a fair question. What's a scorekeeper and what's a player? Well, I'll tell you. A scorekeeper is a fellow who stands on the sidelines keeping the score but who never gets in the game. He's critical but he's safe. A player is a fellow who is in the game playing it for all it's worth and making things happen. In business he plays an important part in distribution. He's an energetic business-getter and a leader who takes chances.

Many credit men are known as scorekeepers because they don't know how to handle their own personal public relations. Their publicity is bad. Most of us never hear about the good things the credit man does. We only hear about his failures. Now contrast this with the way the advertising men and sales managers handle their publicity. It's always good because you hear only success stories. You never hear about the mistakes.

As a matter of fact, if you will look at the trade press behind advertising and selling, those trade magazines such as Advertising Age, Advertising and Selling, Sales Management, etc., are cheerful papers full of optimism and all their stories make even an office boy look like a big shot. They know how to do it, so the importance of advertising and selling is often thrown out of focus, thrown up to huge proportions as compared to credit functions.

Frankly, I think you fellows could do a better job. One of the tricks is to make your job look hard. Any union plumber could tell you how to do it. They take the most simple task and make it look hard. That's the way they gain your respect by handling those apparently impossible tasks with no apparent effort.

Perhaps if you talked a little bit more about your problems publicly, we would all respect you more.

MANY selling campaigns are doomed to failure before they start. Sometimes the credit manager gets blamed for a situation which is the result of some primary mistakes. You could stop the trouble before it happens by evaluating every merchandising project from three standpoints. We know that merchandising success depends upon three things: product, value, advertising and promotion.

You know from experience if your product is not right you are licked before you start. If your price isn't right, you are in trouble. If your advertising and promotion is limited or is weak you are staring failure in the face.

If as a credit man you want to get the reputation as a player and not a scorekeeper, why don't you stick your neck out once in a while and evaluate some of your merchandising programs from the standpoint of product, value and advertising?

You have a right to do this because if you risk your company's money with a plan that is not right, you are not exercising good financial judgment. So, if there is a doubt in your mind, speak up; you may be able to stop a lot of trouble before it happens. The time to get tough is when the deal is launched and not afterward. Who knows this better than a credit manager?

What chance have you to get your money back if you load a wholesaler or retailer with a bad product which is overpriced and under-advertised? You know from experience you are flirting with a law-suit. So be a player and not a scorekeeper and ask some leading questions of your management if there are any doubts in your mind.

IF you are going to be a good player you must be a good quarterback and call your signals clearly. I have found by experience that very often when credit problems arise in a sales organization it is because many people, who should know, do not know credit terms in detail. Are you sure that everybody knows your terms? Sometimes they change and your organization is not up to date.

Let me illustrate. One time as a sales manager for a small rubber company I was having trouble in collecting trade acceptances. When holding a sales meeting in Philadelphia, I took the trouble to tell our salesmen exactly what the trade acceptance is. I told them that a trade acceptance was an acknowledgment of the receipt of merchandise and a promise to pay on a definite date.

After I stated the definition I asked a salesman in the front row what a trade acceptance was. He didn't know. I repeated the definition again and asked another man. He had it about half right. Then, I made all repeat the definition together and they all agreed they knew explicitly what a trade acceptance was. We went on with the meeting and about three hours later in the afternoon I turned to one of the

salesmen, interrupted the meeting and said, "Jones, what is a trade acceptance"? Well I don't have to tell you, he really didn't know. He only had it half right. He was not listening. He was only waiting because he was not interested in credits.

YOU can imagine what a lot of fun we had then, and if they didn't learn anything else that day, they learned about trade acceptances and what to do about them.

I tell you that story because you may have a similar situation in your own organization. If you want to have some fun next time you have a sales meeting, give your salesmen ten minutes to answer five written questions about credits. A simple questionnaire will suffice and the people being examined need not even sign their papers. Have them turned in without any identification and then read some of the answers aloud to the assembled group. You will not only make them hungry for accurate information about the credit phase of your business but they will have a lot of fun in the process.

I have known a lot of credit men in my time but I have not known many enthusiastic ones. Oh, I know one or two, but there ought to be more.

Everybody expects a credit man to be lugubrious and sad. That's wrong, I know. But because that condition exists, if you do smile and get enthusiastic once in a while, it will be very much appreciated by everybody because no one expects it. Credit men are supposed to be realists and know the lowdown about everything. So when they get happy and smile and are enthusiastic, everybody radiates good cheer and helpfulness because, they say to themselves, our credit man, who is in the know, is sold on the idea so it must be right. A smile from the credit man is just like a smile from your mother-in-law. You have to be good to earn it.

WE all know from experience that profit is the result of risk. Credit men set the pace by taking risks. If we all played safe every business would stand on dead center and we would deteriorate. I wonder if you get credit for the risks you take. I don't think you do. I have had some wonderful experiences with credit men who were willing to take a chance on a good risk.

I would like to tell you a simple story. Another young fellow and myself were Goodyear salesmen who wanted to go in business. We had $10,000 between us. We wanted to build a one stop service station, an automobile laundry where you could get your car washed while you waited, and an automobile agency where we could sell cars to people who were waiting for their car to be washed.

It was a great idea. Our first step was to pick out a vacant lot. Then we found the man who owned the lot. He also owned a hardware store. We walked up, told him our story and he said, "What do you want me to do?" We said we just want you to put up a building. It will only cost about $50,000. He laughed and said, "You got a lot of guts to talk to me that way," but he said, "I am now reminded that that is the way I got this hardware store." He told us to bring up our plans, our budget, etc., and in a couple of days we had a commitment to have the building erected.

There was a credit man for you who took a chance on a couple of young fellows who had ambition, character and some experience. The Lucal-Kelly Company started. We went to the Texas Company, for instance, and said, "We want to buy gas and oil; we want to use $3,500 worth of your money. We will never be past due too long but we need help." We got it. We got it at the bank. We got it every place; from credit men who were willing to take a chance. Did it work? I'll say it did. We did $400,000 worth of business on $10,000 capital in one year. The company was a success. It went on for a long time. I finally sold out to my partner.

I SAW another example of credit men creating new business. One time it was my job with a certain big rubber company to help get oil companies, service station dealers in the tire business. The opportunity was there but most of these fellows had no credit.

Our credit manager created credit for them by means of a book credit arrangement. You, of course, know what that is. We merely gave credit to those individual service station dealers, enough to cover the primary stock of tires and tubes. An inventory was taken every month and they paid for the merchandise that they sold and we replenished the stock. The losses were negative and the business grew and flourished and today you will see thousands of service stations handling tires successfully. One reason this was accomplished was because a credit man had the vision to take a chance on a new method of tire distribution which was fundamentally sound. There was a credit man who was a player and not a scorekeeper. If he had been a scorekeeper we never would have gotten started in the service station field.

THERE is a great propaganda campaign, including advertising, which is designed to make us appreciate the American free enterprise system. In my opinion one credit man could do more to make the free enterprise work within his own company, and make all the employees appreciate it, than all the advertising campaigns put together. Your contribution to stimulating the business cycle is personal. Nobody knows who Mr. "Free Enterprise" is but all your associates and your customers know you. There is no use talking about free enterprise in terms of lofty platitudes unless we are all willing to do our share to make our economy dynamic by stimulating business in every possible way including the application of successful credit policies with an optimistic outlook.

L. D. Duncan knows what I mean from experience. He has made many millionaires in our business. He has helped them get started with little capital and then has guided them carefully over the shoals. He has taken a great responsibility to see that their business was run right from a financial standpoint. A good player in the credit department is the most important factor in the American free enterprise system.

CREDIT men could really have great fun in their business. I mean this because they are in on the ground floor. When a program clicks and their judgment is proven right they get an inner satisfaction

(*Continued on Page 30*)

The Sales Viewpoint on Credit

By W. T. MURRAY
Vice-President, Oscar Mayer & Company, Chicago

IT certainly pays to be patient. I have waited over twenty years for the time when I could speak my mind to Credit men and not have them talk back to me. It has been my feeling over a long period of years that credit and sales people could do a better job of getting together, talking things over, airing each other's problems, and, in general, improve relations between two very important functions of a business. Please do not misunderstand me when I say "improve relations" because I do not mean to indicate or imply that there exists between credit and sales a barrier which neither department can or wants to break down. If I *were* to point a finger of criticism I frankly would do so at my own chosen field because many salesmen seem to forget their selling techniques when dealing with the credit man in charge of their accounts.

In fairness to my colleagues, I should also qualify my unkind remarks about them because salesmen generally are not always serious-minded (in fact, their very nature of being extroverts tends to make them somewhat happy-go-lucky) and frequently are guilty of joking and making light of instances whereby company finances are in jeopardy. In such cases, of course, friend credit man is expected to remain cool and straighten out the culprit.

ONE of the major responsibilities of an efficient sales department is to carefully educate, train, and *sell* each salesman on its company's credit policies. Many an account, and many, many thousands of dollars have been lost because sales managements have neglected to perform this duty. And, in each instance, you can add a disgruntled salesman who blames the credit man for his woe, and, conversely, a credit man who blames the salesman for an added wrinkle in his brow, a few more gray hairs, and perhaps sleepless nights. It is cases like this that the salesman would probably quote a colleague of yours, Mr. A. W. Hill, Credit Manager for the DuPont Company. I quote: "Credit men are generally visualized as a very special breed; inherently conservative, with ice water coursing through their veins." And the credit man would change the quote slightly, probably like this: "Salesmen are generally visualized as a very special breed; inherently squanderers, with bilge water coursing through their brains." Much of these losses and many an irritating situation could be avoided if sales managements generally would give ample time and effort to teach their salesmen to be good collectors in addition to being good salesmen. They go hand in hand, and one without the other leaves a lot to be desired.

We at Oscar's recognize this responsibility and believe we are making nice progress. Included in our sales manuals, which cover company policies, product knowledge, route management, selling techniques, and merchandising, we have a seven-page detailed explanation and instruction on the why's and how's of credit. We carefully teach, with the assistance of our credit men, our district managers, who, in turn, teach, train, and are responsible for the collection performance of each of their salesmen. We think we are constantly improving, but we shall be careful not to get too good because, I assure you, we do not want to put any credit men out of a job.

A CREDIT man should know the salesman well whose accounts he is controlling. A credit man who is not well acquainted with his salesman and tries to handle credit matters solely by correspondence, to me is little different from the salesman who trys to sell and handle his clientele by telephone. *It just doesn't work.* There is no substitute for a personal contact. It is only through that means that credit men and salesmen can reach a clear, sympathetic understanding of the other's objectives and to develop a harmonious relationship that will build sales.

The credit-sales relationship should start before the salesman begins his field activities. If both parties are sincere, the seed is planted for a long, pleasant and successful relationship. Future contacts should be carried on each time the salesman visits the office and each time the credit man covers his field area. When these contacts are made, it is important that adequate time be allotted and planning done to permit complete and satisfactory handling of all collection problems bothering either party. By not providing sufficient time, a danger may exist that each individual would be pressing and neither would be able satisfactorily to adjust his temperament. One or both may leave a bad impression on the other. With proper planning, all loose ends can be handled by the salesman and credit man working in close harmony on common field problems. I can assure you most salesmen fully appreciate this kind of cooperation and assistance on the part of their credit man.

Credit men should make periodic trips to the field and contact their important accounts.

FROM a sales viewpoint, a credit man cannot possibly gain *all* the necessary information about current business activities nor his accounts from mercantile reports, or a check with other suppliers. Neither can a sales manager keep pace with constantly changing buying and merchandising habits unless he sees them and talks about them with people in the front line. A sales manager who attempts to expert sales without getting out of his swivel chair soon goes to seed, and before long, Friend Competitor can and will steal the show. Sales experting can only be adept when the sales manager has had the opportunity to study merchandising problems first-hand and then to figure out best means of solving them.

The same holds true for credit men. Only after they have gained actual field knowledge of the soundness or unsoundness of a purchaser's merchandising and managerial ability can they pass sound judgment on his aptness to pay his bills. There have been many instances whereby accounts have been solidly built by an aggressive credit man investigating the actual conditions and discussing them across the table with the owner of a business. I, personally, have enjoyed this sort of assistance from my credit man and shall be ever appreciative to him.

OUR company recently experienced just such a situation. One of our largest jobbers in the deep South, who had been a good volume buyer for some fifteen years, suddenly fell in arrears. The usual procedure began: a letter to the salesman calling his attention to the delinquent account and suggesting that he act promptly to bring payments within the agreed-upon terms.

The salesman called on the customer in an attempt to make adequate collections, and, because the account was so large, had bought so long, and was so important to this salesman's route results, he was reluctant to push too hard. But the customer, because he had been pressed at all, immediately became irritated and refused to cooperate. He probably felt because of his long record of being a sizable buyer that he had earned special considerations even though none had been arranged.

With no improvement in the balance sheet, the salesman's credit man became alarmed and again wrote the salesman explaining that, due to the amount of money involved, it was paramount that satisfactory payments be made or further steps would necessarily have to be taken. The salesman again pressured for money, and this time indicated that unless handled promptly shipments to the account would be affected. The customer, for reasons of his own and without explanation to the salesman or the home office, became somewhat belligerent, paid still less on his account, and threatened the salesman with stopping all future purchases.

The salesman reported his problem to his credit man, feeling that he had done everything within his means to straighten the mess out without success, adding that he appreciated the company's concern over the money involved, and, with that in mind, suggested that the credit man take the necessary legal steps to collect.

Fortunately for Oscar Mayer & Co., this credit man was alert, aggressive, and sales-minded. Instead of taking legal action, he wired the salesman that he was flying down to see him and to please arrange an early appointment with the jeopardized account. This was done and credit man and customer sat down to privately discuss the problem.

In the course of the conversation, the customer revealed that he was actually attempting to use Oscar's funds to expand his business. He had felt it unwarranted to explain this to the salesman or the company. The astute credit man displayed a great deal of patience, diplomacy, and selling ability in explaining to the account the erroneous approach he was taking and ended up by advising the solvent owner on a better method of financing his enterprise. The account was highly appreciative of the counsel, advice, and interest shown by the credit man and immediately rearranged his financing program, paid his account in line with proper terms, and is a better buyer today. To me that is a typical example of an outstanding credit man who should be considered an important adjunct to a sales department.

In the incident just described, I mentioned correspondence from credit man to salesman, and *vice versa*. The intelligent or abusive use of this means of communication can have a telling effect on both the credit and sales relations, and, actually, on the efficiency of credit and sales performance. A salesman who writes curt letters to his credit man is inviting an iron-handed control over his credit activities. He is usually the type of salesman who frequently blames the credit department for lack of cooperation and the maintenance of strict rules which thwart him from doing a good sales job. A salesman should retain and use all his sound selling aptitudes when writing his credit man; by so doing should build a warm, amiable relationship whereby the credit man will cooperate fully within the limits of good judgment in helping the salesman to build a sound clientele.

The credit man, too, should always remember that a warm, friendly letter to a salesman, with a lot of *SELL* in it, is much more likely to bring desired results than one which very coldly tells the salesman to do certain things according to the rules, *or else*. I believe if all credit men, when writing letters, would visualize themselves as sales men and practice trying to sell the man on doing certain things, they would not only accomplish a lot more, in an easier fashion, but would actually get a thrill out of seeing results occur by the subtle means rather than the iron-fisted style.

Both salesman and credit man should always remember they are both human beings with the same normal reactions. Both have problems, both are striving to achieve an end, and both have red blood coursing through their veins. I have never found it very difficult to get into an argument if it were invited and I know of no better way to get one than to knock the chip off a fellow's shoulder. Sales and credit men should constantly train themselves to be patient, tolerant, and kind in their remarks to their working associates, be they written or verbal.

Now I come to the last, but not least, of my sales viewpoints on Credit. I am referring to the credit letter to customers. All of us, in

(*Continued on Page 31*)

CREDIT MANAGEMENT IN A TRANSITORY ECONOMY

by R. H. COLLACOTT

Marketing Research Staff, The Standard Oil Company (Ohio)

ONE of the first rules for discussion, particularly if some of the observations promise to be somewhat controversial, is to start, at least, from some point on which there is general agreement. That accounts for the title of this paper. When I have finished some of you may have doubts about how much help my remarks have been in dealing with the day to day problems with which you are confronted but I think we can all agree that the environment in which you are doing that work is changing and shifting with a dismaying speed.

Each of you is a close student of the growing science of credit management. You are somewhat concerned over the confusion which clouds the current economic picture and the larger frame of references in which you carry on your work. That same concern is present today in every activity of American life, outside of the penitentiaries and the insane asylums, and may with only a slightly heightened intensity begin to worry the customers of those institutions.

Since my remarks are to deal with economic factors, I shall dismiss such items as the futile fears as to the likelihood of atomic bomb attacks. There is a field for the consideration of such matters, and preparation for them, but they do not belong here. In the field which we *are* considering, no one factor even begins to approach in seriousness the one of the ominous danger of inflation. Since every business magazine you pick up is laying down a barrage on that subject, and since everyone seems to be trying to educate his neighbor in the matter, I do not propose to bore you with a recital of the horrors of a runaway inflation. I do want, however, to point out some of the less well recognized aspects of it. Certainly they are less frequently discussed and yet they have a real bearing on the credit operations of such companies as are represented here.

FIRST, then there has over any long period always been an inflation in process. It has of course had many sharp and painful interruptions, but a graph plotting the value of the dollar from the establishment of this republic will show that only occasionally did the introduction of improved production techniques work to any substantial price benefit to the consumer. When the economy hit rock bottom in the Panic in 1893 the dollar had still not regained the full purchasing power it had when George Washington took office as President. The savings resulting from improved methods of manufacture and agriculture had of course gone largely into building up the capital wealth of the country but the balance had just about offset the constant decline in the value of Alexander Hamilton's dollar. This fact has of course been known to economists and to those business establishments dealing in long term credit who have come to accept the fact that they are seldom paid back in dollars as valuable as those they originally loaned.

Now I want to point out a fact which is seldom brought to light. This decline in dollar value has been retarded all through that one hundred and sixty year history by the advantages of technological achievement. Let us use an example from our own industry. A recent careful study by the Ethyl Corporation shows the cost of a gallon of gasoline to have averaged 21.93c in 1925, and 20.17c in 1950. Those figures show the gasoline dollar to have been a nice dignified character determined to see that she provide good value to her master. But what was happening on the product side of the equation? Many of you are well acquainted with the tremendous savings which have been made in every segment of this great industry. A gallon of gasoline can now be taken from Texas to New York for about one-fifth of what it costs to mail a letter. Economies of a somewhat less dramatic but even greater dollar and cents value have been made in production, refining and marketing. Why haven't these economies been reflected in price?

Some people suggest that it is because the corporations are keeping it for themselves. It would be hard to think of a more irresponsible or ridiculous statement. By the year 1900 Mr. Rockefeller had largely built up his own tremendous personal fortune as well as those of his associates and the far flung Standard Oil Empire; and the total production and sale up to that time was less than a half-year's production in this country today. No, the unit profit today is only a fraction of what it was formerly. Then where have these economies gone? Largely into a constantly depreciating dollar.

THERE is no way of making accurate calculations as to what the price of a gallon of gasoline would be today if all those developments had not taken place. Old methods are discarded as soon as they are proven obsolete and no outrageously extravagant operations are preserved just for the purpose of providing statistics to support the point I am presenting here. It is a fact however, that all of the efforts of the chemical engineers, of the distribution experts, of the students of credit and finance, have gone to retard the devaluation of the dollar, and it has been a slightly losing battle at that. Not until very recently, however, has the man in the street given it anything which passes for thought. Today he is beginning to wonder a little bit for two reasons: one, some of his E bonds will mature in the next couple of years and he is waking up to the fact that the "four dollars for three" return isn't going to buy as much as his original three dollars would when he bought the bonds, and two, the *rate* of decline has *very* sharply accelerated.

The dollar has lost 42¢ of its value in ten years. And this is in the face of the most sensational technological advance in our history. Our man in the street hasn't done much figuring yet but if he does he will come up with the fact that this same rate of depreciation, if continued, would carry his present 58¢ dollar down to 11¢ in three more decades and that if such a process had been in effect since the founding of this nation, the loss in value would be the astounding one of 6000 to one. A comparison of our federal financial management during the past ten years with almost any of the European nations having depreciated currency does not show us in a favorable light at all. We merely appear in a somewhat favorable position only because an administration indifferent to the size of the national debt, to budget paring and economy in government, to the dangers of deficit financing, and even giving open and behind the scenes encouragement to every inflationary influence, has been bailed out to a great extent by a soaring industrial and agricultural production.

I submit that the trend is now more important than the fact of just where we are, and whether we are on the verge of a runaway inflation or not, a trend of 42% per decade must be arrested if our type of economy is to continue. Whatever one's fears for the future are, it is time to stop asking the question: "Are we are going to have inflation?" and start showing more concern over the forces which this administration has already set in motion. A continuation of the currency depreciation of the past ten years will be catastrophic.

NOW I would be wasting time if I dwelt at any length on the horrors of inflation. We all know most of the immediate effects, but I do want to make a couple of points because they are seldom considered and one of them has a real bearing on your work as credit managers. Let me first review the steps which every inflation cycle takes. Dr. Paul H. Nystrom pointed out in Boston in October that it historically has always had four stages:

One—The pleasant stage as it has the narcotic effect of an artificially induced prosperity.
Two—Some people get wiped out.
Three—A lot of people get wiped out.
Four—Crash.

LET us look at them. The pleasant stage is what we have been fostering ever since the New Deal attempted to cure the nation's ills by deficit financing. The process of mortgaging the future is so painless in its early stages and creates such a pleasant atmosphere that, like opiates, it is almost irresistible to a politically implacable administration.

The second stage where some people get wiped out is one which we have already entered. The commonest remark made concerning inflation is that it impoverishes those with fixed incomes. That is true and we all know it, but who are those people? They are, in the overwhelming majority, those people over sixty-five or widows. These people, almost without exception, have entered a period of declining economic usefulness. They are not organized as a group. They constitute only a minute fraction of the markets of the size of agriculture, industry and wage earners; and whatever social problem they represent is terminated with their death. Concern for the rights of individuals and minorities has always been one of the main characteristics of great civilizations. A ruthless disregard of the rights of defenseless minorities is likewise considered one of the early signs of deterioration. But it is politically very easy. I would estimate that we are about half way through stage two of the inflation process.

STAGE three—where a lot of people get wiped out. How does that work? and how is it different from stage two? Mr. Winston Churchill pointed out in his book "The Gathering Storm" that in the hair-raising experiences of Germany between World War I and Hitler's rise to power, the inflationary influence which brought about her economic collapse was not anything we have so far described but was rather the inescapable catastrophe of making valueless the net working capital of corporations. This subject would justify a discussion greatly expanded from any that I shall make but many of its features must occur to you, that with the life-blood sucked out of the arteries of industry and commerce, failures or sharply reduced operations follow, jobs disappear and all the spiraling influences of disintegration lead to an inevitable collapse.

We have not seen much evidence of stage three for several reasons, but surely each of you has in his own experience some knowledge of cases where net working capital has been fairly seriously impaired during the past several years, and this in spite of the fact that the business has apparently been operated with management as prudent as formerly.

What are the reasons why the difficulty has not been more conspicuous? First, because of the very high level of business activity with accompanying satisfactory corporation profits. To the extent to which corporations have been able to sweeten these funds with undistributed earnings they have been able to hold their position in this squirrel cage economy. Those of you who deal with credit extension of this sort might wisely keep a fairly close watch on the *trend* of net working capital.

The second reason why the prob-

lem has not seemed more pressing has been due directly to the efforts of men such as you. That is, the *velocity* of money has been greatly accelerated. It is obvious that if you can make one dollar do the work of two, you will need only half as many dollars to do it. Thus by cutting down on the time required for the round trip of your dollars you have reduced the amount tied up in receivables and by doing so released it for such crucial needs as inventories and the ever expanding payrolls. This has been a great accomplishment. It has been of enormous value to the corporations which you serve and to the national economy, and it has probably never had proper acknowledgment.

The third reason has been the phenomenal one of the almost instantaneous creation of mass markets for luxury goods. The merits of this development and the objections to it are too well known for comment. For the purposes of this paper I do not need to take any position on the question. That, however, won't stop me from making one or two observations. In applying the brakes to this activity recently, some government people stated that consumer credit stood at about twenty billion dollars. That I think is true but I also understand that approximately nine billion is in current charge accounts, industry single payment loans, service deposits, etc., which leaves about eleven billion as a claim on future individual earnings.

Now that eleven billion is by no means evenly distributed either as to those who have done the borrowing, or as to those industries whose sales have been souped up by the use of the time payment device. As you know with the very slight exception of its use in the sale of apparel, it has largely been confined to the automobile and consumers' durables, lately of course very largely in the electrical goods industry. That means that the effect of its sharp restriction is going to be a rather jerky dislocation rather than a nice even application of the brakes. That will present plenty of difficult problems for you. Probably just as much money will be in circulation, but your work has always been to estimate pretty accurately whose pockets it was in. Some interruptions can be pretty safely predicted as a result of those dislocations.

INDUSTRY today, on the same amount of services, makes less than it did in 1939 in terms of purchasing power, despite the fact that it shows larger earnings in terms of dollars.

Plants must be replaced with 1950 dollars, not 1939 dollars, which must come from 1950 earnings that have less than one-half the value of 1939 dollars for construction purposes. The last National Industrial Conference Board's report shows that today's construction dollar is worth 46 cents in buying power compared with 1939. Today's dollar is worth only 41.7 cents in terms of buying raw materials. It is worth 43.3 cents in payment for labor.

It is plain to see, therefore, that the earnings of industry must be maintained at a high level if our economy is to expand and prosper.

Harry A. Bullis, Chairman of the Board,
General Mills Co., Inc. in his Report to Stockholders

I THINK you will now all agree with me in my opening remarks that the economy is in transition. Of course it always has been. Economic factors have always been dynamic and imposed upon individuals and corporations the necessity of adjusting to them. And at any one moment, someone would get up as I am doing now, and point out that the economy was in transition. Just in case some of you feel that such an age-old attitude is all that I am rehearsing now, I want to go on and point out more of the confusing elements in the present day picture.

To begin with let us bear in mind that wars have always had a frightfully dislocating effect upon a capitalist economy. Hitler taunted that a capitalist democracy could not successfully wage a modern war. In a military sense, of course, he was wrong, but there is just enough significance to his statement to justify our consideration. What Hitler was saying, in his tactful and kindly way, was that a democracy where the people could retain the controls would never impose upon itself the degree of self-denial required to compete with a nation where those controls could be imposed by the state without protest. He was also saying that the distortions of the customary money channels would eventually wreck the financial structure.

In each of these observations, if a war were to continue *long* enough, we must admit that he was partially right. The matter of self-denial is not too important and does not need much comment.

During the last war I spent considerable time in Washington as Chief of the Petroleum Products Price Section of the O.P.A. I emerged from that experience as did my associates, with an almost complete loss of faith in the effectiveness of price controls and rationing over any *long* period. The matter of the money channels and the strains on the financial structure are important. The only item wrong with Hitler's calculations and the thing which eventually defeated him was America's unbelievable productive capacity.

WAR, and even preparation for war, is organized waste, and society as a whole is poorer for it. Now, if at a time when the size of the whole pie is being reduced, large segments of the population come up with substantially larger pieces, it stands to reason that those dividing up the remainder must get pitifully small portions and are apt to become, as a group, an economic and social problem. Again, therefore, increased production, if not an absolute necessity, becomes highly desirable and will have a tremendous influence in keeping the economy on an even keel.

It isn't going to startle you much when I say that times of pressure always speed up the enlargement of productive capacity. Any nation engaged in a war which she can keep out of her own territory will come out of it with increased plant capacity. The war between the states was significant in many ways, not the least of which was the fact that it was the first of our modern wars, the outcome of which was determined by economic exhaustion

rather than by any clear cut military victory. The North emerged from those four years not only with expanded railroad facilities but with industrial facilities which, for the first time, put her in a position to compete with England and Europe. In the symbolic choice of guns or butter the United States has always been able, so far, to achieve military victories with a minimum reduction in the living standards of her citizens.

WHAT is the significance of this? Again, in an all-out preparedness program, we are again confronted with a choice of guns or butter. It is, to be sure, a choice made for us by the government but there is no question as to its receiving the overwhelming endorsement of the people. That brings into focus two dangers which I should like to burn in on everyone who will listen to me; first, the increasing role of the government as a generative force in the economy and, second, reliance upon arms manufacture as a vast new industry.

The role of the government always becomes dominant in war time. There is no way to avoid it. Arms and military supplies have to be purchased and used by a government. War is a government, and therefore a collective, operation. But if this activity does not cut too far into the butter the strain on the economy is not unbearable and historically the United States Government has always withdrawn from its activities with the end of the war. That is up to World War II. For eight years previous to our last war, the Federal Government had already experimented in many roles as a generating force in the economy. The Reconstruction Finance Corporation was already in existence when Mr. Roosevelt took office. The long list of New Deal activities such as N.R.A., the W.P.A., the P.W.A., etc., is probably still fresh in the minds of each of you. The great significance of these agencies was actually in this country a new philosophy of government, that of planning and controlling, through political means and with taxpayers' dollars, an economy that had hitherto been powered by the dollars supplied in voluntary transactions by

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LEGAL NEWS AND NOTES

of interest to financial executives

Reviewed by Carl B. Everberg,
Assistant Professor of Law, Boston University

PROPHYLACTIC USE OF THE LAW — CREDIT MANUAL OF COMMERCIAL LAWS, National Association Of Credit Men, New York, Publishers.

THOSE who conceived the annual *Manual of Commercial Laws* must have had in mind the use of a book of law for prophylactic purposes rather than as a remedy after some kind of infection set in. Indeed, lately, several authors have taken a theme of this kind and have called it "preventive" law. They claim, and rightly so, that a knowledge of law on the part of people who enter into transactions of a responsible nature acts as a protection against rash actions. Persons who have an appreciation for legal consequences of various acts are not so vulnerable to costly and expensive litigation as those who do not have such appreciation.

The term "preventive law" seems to be somewhat of an unhappy one, however. The trouble with it is that it suggests a body of law, different from other law, which has some kind of preventive function. It suggests, for example, that one can study a section of law which so is designated —namely, preventive law. There is, of course, no such classification of law; the law is the same, whether it is used as a set of instructions for proper conduct, or whether it is invoked to decide litigation. Thus this reviewer thinks that a more suitable label for law as it act as a protection against imprudence is the *prophylactic* use of the law. Prophylactic measures, as they concern the physical well-being of people, are those which protect one from deterioration and disease; they act as a preservative. They constitute a system of hygiene.

BUSINESS men like to avoid litigation and trouble when they find it at all practicable to do so; and lawyers too, if they would serve the best interests of their community and their clients, would do all in their power to settle controversies without going to court. The true business lawyer's primary function should be that of *legal adviser* to business. No responsible business man wants to engage in practices which violate the law; and more and more, in recent years, management has looked to the lawyer to keep it steering a course which will comply with all laws, both in letter and in spirit. Where once a lawyer was not consulted until a firm was in trouble he is now being consulted with increasing frequency as he also should be consulted while proposals and transactions are still in their preliminary stages.

Edward F. Johnson, General Counsel for Standard Oil Co. of New Jersey, sounded off these same sentiments in a Luncheon Meeting of the National Conference of Judicial Councils in the Supreme Court building at Washington, D.C., May 19, 1950. Mr. Johnson pointed out that there is getting to be more and more rapport between the government agencies and business men and their counsel of late. He said "business men and their counsel are welcomed by the Department of Justice for the discussion of their problems . . . Often litigation is thereby avoided. Certainly the experience is enlightening to business and I hope to government as well."

Of course a book on law for laymen should not be regarded as a substitute for a lawyer, and the publishers of the *Credit Manual of Commercial Law* do not intend it to act as a legal adviser nor to render expert assistane. The publishers on an opening fly-leaf of the book say: "The Manual can not be a substitute for a competent lawyer." They also quote from a Declaration of Principles jointly adopted by a Committee of the American Bar Association and a Committee of Publishers and Associations:

"This Publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is sold with the understanding that the publisher is not engaged in rendering legal, accounting or other professional service. If legal advice or other expert assistance is required, the services of a competent professional person should be sought."

LAW is so inextricably woven into the everyday acts of people that it would be no more possible to separate the law-laden portions from their acts and subject them to professional legal advice than it would be to separate the components of the air we inhale for examination by a lung specialist before we breathe it. It would be as logical for a lawyer to tell a person: "Do not take any action whatsoever which might have a legal consequences without getting my approval," as it would be for a doctor to say to a patient: "Do not breathe any air without letting me analyze it first." The best antidote against making mistakes is knowledge. The more we fortify ourselves with useful information, skill and knowledge in the handling of our affairs, the more valuable we are to our community, our employers and to ourselves.

What we are leading to is this. There is no book quite like the *Credit Manual of Commercial Laws*

to buttress the ability of a business man along legal lines. Its comprehensiveness is almost astounding; not only does it embrace almost every conceivable field of commercial law (and that in considerable detail) but it breaks down the law by states and this is a tremendous service. It is known that many lawyers, themselves, keep the book on the shelf for reference. The book has overcome, in a great degree, the obstacle of trying to cover too much ground without spreading the material out too thinly.

One of its chief advantages, also, is the coverage it gives to federal law as it affects business. More and more federal law impinges on business; it is, moreover, in a war economy such as we are in, the most important factor of all the law. No business can afford to disregard the federal law, with its many regulations, rules and orders. To do so would be like groping about with a blindman's bluff over the eyes.

Doing Business—Robinson-Patman Act.

IN THE case of *Sun Cosmetic Shoppe, Inc. v. Elizabeth Arden Sales Corporation* (U. S. Court of Appeals, Second Circuit), 178 F. 2d 150, 13 A. L. R. 2d, 358, a case recently decided, we have an example of the ascendancy of federal law as it affects business. Here the plaintiff operated a retail shop for the sale of cosmetics in New York City. It sold the products of the defendant company. Defendant sold its products throughout various states and it supplied some of the retailers to whom they sold their products with "demonstrators," whose salaries were paid in whole or in part by defendant. But it did not furnish a demonstrator to plaintiff. Plaintiff then brought an action for violation of the Robinson-Patman Act and sought to recover treble damages as provided for in the Act. It was held that the payment of the salary of the "demonstrator" which defendant furnished to some of its customers without doing so for the plaintiff was a discrimination under the meaning of the Robinson-Patman Act. The fact that plaintiff did only an intrastate type of business (conducted the business in New York City and not elsewhere) did not take the case from under the Act. A person who suffers from some one's violation of a federal law need not himself be engaged in any federal activity to recover damages where the law provides for the recovery of damages.

Effect of Creditor's Retention of a Check Made for Less Than Full Amount Claimed, Without Cashing or Negotiating It.

THERE seems never to be any end of cases of this kind before the supreme courts. We have frequently commented on this type of case—namely where a debtor sends his creditor a check for less than the full amount claimed by the creditor with a notation on it saying "in full settlement" or other expressions of similar import. The case of *Curran v. Bray Wood Heel Company, Inc.* 116 Vt. 21, 68 A 2d 712, 13 ALR 2d 728, brings up once more a typical situation, but because of the frequency with which the issue comes up in the courts, a brief report is made of it here. The parties in the case (seller and buyer) were in dispute as to the amount of goods delivered. Defendant (buyer) sent a check to plaintiff (seller) for less than the amount claimed by plaintiff, writing on the stub of the check "By indorsement this check is accepted in full payment." Plaintiff informed defendant that the check would not be cashed. It was not cashed or negotiated, but plaintiff made no offer to return it, until more than nineteen months later when it was tendered back in court in the trial of plaintiff's action to recover the balance alleged to be due. It was held to be a proper case of accord and satisfaction. The settled rule is that where one has a disputed claim against another and accepts or retains an amount less than he claims is due, which is offered by the other in full settlement, it operates as accord and satisfaction. If the creditor is not willing to accept a check under such circumstances it is his duty to repudiate the offer and return it within a reasonable time. The retention of the check for an unreasonable time (it was held an unreasonable time here) without offering to return it is held to be acceptance in full satisfaction of the claim.

BOOKS

A Guide for Busy Executives

Introduction To Investments—By John C. Clendenin, Associate Professor of Finance, University of California, Los Angeles. Published by McGraw-Hill Book Company, Inc., 330 West 42nd Street, New York 18, N. Y.

In the author's introduction to this new book he states that it was written primarily as a text book for college-level classes in investments. However Dr. Clendenin has covered his subject so thoroughly that treasurers and other corporate officers who are charged with the assignment of looking after company investments or funds for pension plans will find *Introduction to Investments* a worthwhile book for their business library.

In one chapter entitled "An Approach to Investment Analysis", Dr. Clendenin presents an ABC chart for the guidance of those just feeling their way along the rather complicated investment highway. There are several other chapters leading up to this chart which also guide the tyro. Those who have gained their knowledge of investment through years of experience might well say of Dr. Clendenin's book "I know all that." But the University of California professor has not written his book for such people. There are many individuals, outside of the experienced class and the college students, who could well study Dr. Clendenin's *Introduction to Investments* to good advantage.

Tested Credit and Collection Letters—by William H. Butterfield published by the National Retail Credit Association, 218 Shell Building, St. Louis 3, Missouri, 1950, $2.00.

This 48-page booklet contains 100 letters designed to be used by retail credit departments for the stimulating of credit sales, collection of accounts, and increasing customers' good will. Some of the letters were prepared by Mr. Butterfield and published in Credit World—the official publication of the National Retail Credit Association—at a time when he served as Educational Director. Other letters included in the booklet were written by credit executives of outstanding retail organizations. This collection of letters would make a desirable item for distribution by manufacturers and wholesalers who have close contact with the retail outlets.

Supreme Court Upholds Federal Tax Lien Rights

The United States Supreme Court, in an unanimous decision handed down November 13, has ruled that a Federal tax lien on property has a prior claim even when a private creditor has obtained an attachment against the property pending judgment.

Reversing the decisions of California courts, which held a Federal tax lien inferior to an attachment and judgment obtained by Wilton M. Morrison on property belonging to Mr. and Mrs. George Styliano, Justice Minton said that although the attachment was procured prior to filing of notice of the Federal tax lien, it was merely a "caveat of a more perfect lien to come." The Federal lien of $10,142 was filed, however, prior to the judgment for $79,939 which Mr. Morrison finally won against the Stylianos.

By attaching prior to judgment the creditor obtains only a potential right or a contingent lien, the court observed, and the effect of a lien in relation to a provision of Federal law for collection of debts owing the United States is always a Federal question, the opinion stated. Accordingly, it ruled, tax liens of the United States are superior to inchoate or contingent liens such as those procured by Mr. Morrison. The case was styled United States vs. Security Trust & Savings Bank of San Diego, et al.

Amended Regulation X Softens Housing Rules

The Board of Governors of the Federal Reserve System announced on November 14 an amendment to Regulation X, covering residential real estate credit, which exempts from the prohibitions of the regulation real estate construction credit extended before May 1, 1951, on construction begun before October 12, 1950, the effective date of the regulations. The amendment also extends until December 31, 1950, the time permitted for filing with the Federal Reserve Banks statements of facts with respect to unwritten agreements to extend credit which were entered into before October 12.

Lehigh U. Will Be Scene of Consumer Credit Conference

Lehigh University will be host to the National Consumer Credit Conference of 1951 to be held on the University campus May 24 and 25, Dr. Carl E. Allen, dean of the college of business administration announced.

Charting Ratios

(*Continued from Page 9*)

Where "Net Sales" is the starting figure, you do not have details on the items that may be grouped and deducted. Sometimes cost of sales is set up with and without tax deductions or shows other exceptions. Some profit and loss statements show gross sales and then deduct cost of sales including cost of operations in one lump sum. That is why we chose gross sales, for while it may not be the best denominator, it certainly *is* constant and if you do not choose a constant denominator as the base then the ratios will not be uniform and cannot be compared against each other with any degree of accuracy. The conclusion being to select a denominator that is made available uniformly and most frequently rather than to use another fluctuating base which could result in general distortion throughout the chart.

Example #2 is an interesting chart, particularly on those ratios covering expenses for warehousing, selling, delivery and administration. These figures certainly provide valuable data.

THE charts represented by Examples #1 and #2 were prepared under somewhat contrasting methods but the results on wholesalers

is not too much at variance. In Example #1, the general average on salaries comparable in Example #2 to the entry on salaries and withdrawals in the $250 to $500,000 sales bracket, is identical at 3.8, and not too far off in the higher bracket. On gross and net profit, the two charts are not too far apart although there are differences. The general averages in Example #1 are closer to the upper quartile in Example #2 on profits and this may result from the larger number of accounts included or it might be that the quality of the accounts was vastly different. On net profit, it naturally is a sounder method to devote an analysis to net profit after salaries and withdrawals, whereas my net profit was accepted in whatever form it was quoted in the operating figures and that of course is subject to fluctuation because of the different methods used, some of which may not include withdrawals or tax deductions.

The breakdown by types of business, in my opinion, is important in whatever form the ratios eventually are set up. Such a chart shows the differences in ratios between the various types of operation and these variances, particularly in gross and net profits, are important to know. Even if the reasons for these variances are obvious, the charts provide a knowledge in general averages of the important factors, whether your immediate interest is in analyzing the figures of another similar business or in a discussion on a credit decision with another similar type operator.

In that respect, charts provide a fine means for supporting decisions. When an occasion arises to offer constructive criticism, there is no finer support you can use in making suggestions than a chart clearly indicating what other houses are doing ratio-wise. This makes a solid impression, getting attention focused on corrective measures rather than on sketchy, aimless discussions that usually leave objectives unaccomplished.

If these charts are found useful, one small purpose will have been served, but the main idea is to stimulate sufficient interest for considering the development of trade charts nationally in good form for the benefit of everyone in this interesting profession of ours.

Discrimination in Sales Transactions

(*Continued from Page 6*)

refusal to sell or to quote prices has occasionally been the subject of complaint in litigations under the Robinson-Patman Act. In *Chicago Seating Co. v. S. Karpen & Bros.*,[10] the plaintiff wished to bid upon school furniture to be purchased by several universities and requested the defendant to quote prices upon which its bid might be based. The defendant refused to do so, advising that while it would continue to sell its regular line of merchandise to the plaintiff, it would not permit the plaintiff to enter the competition for school and university orders. The defendant meanwhile gave its prices to competitors of the plaintiff in order that they might bid.

The plaintiff charged that he had been a victim of "price discrimination" under the Act and sought damages. The court denied relief, underscoring the fact that no sale had occurred, but only a refusal to sell. The court then said:

"It is true that plaintiff does charge that defendant refused to furnish it prices. It is even said that defendant refused to sell to plaintiff. Even if true such charges do not constitute discrimination in favor of one purchaser against others under the provisions of the Clayton Act. Price lists and catalogues are mere invitations to negotiate and do not constitute a service or facility connected with the sale or offering for sale of a commodity. The refusal to furnish them is at most a refusal to negotiate.

"As we see it, the laws of the United States do not require that persons engaged in private trade and commerce must deal with everyone. When they do deal they may not discriminate, but they do have the right to choose their customers. The Clayton Act as amended by the Robinson-Patman Act itself provides in section 2(a) 'Nothing herein contained shall prevent persons engaged in selling goods, wares, or merchandise in commerce from selecting their own customers in bona fide transactions and not in restraint of trade.' Sec. 13(a), Title 15 U.S.C.A.

"A trader engaged in private business may exercise his own discretion as to parties with whom he will deal."[11]

WHILE one may therefore validly refuse to sell under the Robinson-Patman Act as indicated by the *Karpen* case, question should be raised whether a liability under the Sherman Act would have existed if the plaintiff had been able to show that the defendant was acting in concert with the plaintiff's competitors in refusing to quote prices. Had such a combination been shown, the plaintiff might well have succeeded, in accordance with the principles previously discussed.[12]

II

THE anti-trust laws aside, another fundamental question which credit managers may encounter arises when a buyer is reported in financial straits after a contract for sale to him has been made. In discussing such a problem, the fact must be recognized that the essential purpose of a contract between commercial men is actual performance and that the object of their bargain is not merely a promise or a promise plus the right to win a law suit. At the same time, the credit manager must make certain that his sense of discrimination does not lead him into a breach of contract with the buyer about whom false rumors of impending failure have been circulated.

Illustration of the basic situation is given by the common-law case of *Benedict v. Field*[13] decided by the New York Court of Appeals in 1858. By a written contract the defendant sold to the plaintiffs fifty casks of

10. 177 F. 2d 863 (7th Cir. 1949).

11. 177 F. 2d 863, 866-867 (7th Cir. 1949). See, also, Shaw's Inc. v. Wilson-Jones Co., 105 F. 2d 331 (3rd Cir. 1939). The Federal Trade Commission dismissed a complaint under the Robinson-Patman Act against a manuacturer of hard-surfaced, felt-base floor covering which for a time sold to mail-order houses and ordinary retailers, giving a price advantage to the former, but which later changed its policy by discontinuing sales to the retailers altogether and selling only to mail-order houses and jobbers, both at the same price. Bird & Son, Inc. et al. Docket 2937. The Commission held the change of policy a lawful exercise of the right to select customers, commenting:

"The [Robinson-Patman] Act does not purport to interfere with the right of a seller to select his customers. He may discriminate in the choice of his customers. Not until there is a discrimination in price among those chosen does Section 2(a) of the Act have any application. There is no suggestion that the selection of customers here involved was the result of any combination in restraint of trade. Rather, it was in order to reduce seller-respondents' costs of distribution. The courts have consistently upheld the right of individual traders to select their customers in the absence of such combination."

12. It should be emphasized that since the federal anti-trust laws are an exercise of the Constitutional power of the Congress over interstate commerce, that element must be shown to exist in each case under them before jurisdiction may properly be assumed. See, *e.g.*, Brosious v. Pepsi-Cola Company, 155 F. 2d 99, 103-104 (3d Cir. 1945).

13. 16 N.Y. 595 (1858).

bleaching powder which were thereafter to arrive by the vessel *Emma Field* and which were to be paid for on delivery in the promissory notes of the firm of Leggett Bros. Before the goods arrived, however, Leggett Bros. had admittedly failed, and accordingly the defendant refused to make delivery except for cash. The plaintiffs argued that title to the goods passed to them immediately upon execution of the contractual writing, and they were therefore entitled to possession of their property upon arrival of the vessel. The court failed to accept this argument, however, holding that title was intended to pass at the time of delivery rather than at the time of making the contract. It took the view that in any event the ability of Leggett Bros. to give notes worth full value was so basic an assumption in the transaction that with only the notes of a bankrupt being offered, the seller was released from his obligation to deliver the merchandise.

NOT only may the seller refuse delivery upon credit to a buyer who has become insolvent, he may ask damages for breach of the contract if the buyer is unable or unwilling to accept the merchandise for cash. In an exemplary case,[14] the plaintiff had contracted to sell to the Hannibal Rubber Company fifty tons of rubber, half to be delivered in February and half in March, 1924, upon a 30-day trade acceptance, without interest, from date of delivery.

Unknown to the plaintiff, the affairs of the purchaser were much involved, and in December, 1923, a creditors' committee was formed for it. In February, 1924, before making the first delivery, the plaintiff learned of the purchaser's condition and advised that it would be unable to make shipment upon the agreed terms, but would ship with sight draft attached to the bill of lading. Upon failure to accept this proposal, the plaintiff resold the rubber at a loss of over $6000 which it charged against the rubber company. Bankruptcy ensued, and a claim for damages in this amount was duly filed by the plaintiff.

The district court disallowed the claim on the ground that while the plaintiff, upon learning of the unsettled financial condition of the bankrupt, had a right to demand payment on delivery or additional security and could lawfully refuse to deliver the goods without it, this principle of law merely protects the vendor against liability for failure to deliver. Upon appeal to the circuit court, however, it was decided that this conclusion was erroneous, and that under these circumstances a contract stands in all respects as any sale for cash on delivery. If the vendee neglects or refuses to consummate the transaction by paying the agreed price and accepting the property upon valid tender of delivery, the seller may treat the contract as breached, and either store the property for the buyer and sue for the purchase price, or sell the property at the market price and recover any deficiency resulting, or keep the property as his own and recover the difference between the contract price and the market price. The court explained its reasoning as follows:

> "It is no longer open to question in this court that as a rule, where a party bound by an executory contract repudiates his obligations or disables himself from performing them before the time for performance, the promisee has the option to treat the contract as ended, so far as further performance is concerned, and maintain an action at once for the damages occasioned by such anticipatory breach....
>
> "Commercial credits are, to a large extent, based upon the reasonable expectation that pending contracts of acknowledged validity will be performed in due course; and the same principle that entitles the promisee to continued willingness entitles him to continued ability on the part of the promisor. In short, it must be deemed an implied term of every contract that the promisor will not permit himself, through insolvency or acts of bankruptcy, to be disabled from making performance. . . ."[15]

The doctrine of these two cases is clearly justified by considerations both of practicability and of equity. It has since received both judicial and legislative extension and qualification. For example, it is apparent that if the seller were free to refuse to deliver as contracted upon the receipt of *any* rumor of insolvency of the other party, an extremely useful and unfair trapdoor would be created for sellers finding themselves involved in unfavorable undertakings. The courts therefore have held that mere doubts of the solvency of the other party, even though reasonable, afford no defense for refusal to perform according to the contract terms.[16] Insolvency, in the sense of being unable to meet one's obligations as they mature, must be actually present, as opposed to its rumored presence.

AN example of legislative extension of the doctrine concerns the issue in the *Benedict* case of whether title passed as of the contract closing or as of delivery of the merchandise. To grant or deny recovery upon decision of the question as to when an intangible will-o'-the-wisp like title passed from the seller to the buyer is to decide a commercial matter upon non-practical grounds. Therefore, the Uniform Sales Act, which has been adopted in most of the states to codify and improve the largely judge-made law of sales transactions, provides that "notwithstanding that the property in the goods may have passed to the buyer, the unpaid seller of goods as such has . . . in the case of the insolvency of the buyer, a right of stopping the goods in transitu after he has parted with possession of them."[17] Under the same Act, when the buyer has become insolvent, the unpaid seller in possession of goods may retain possession of them until payment or tender of the contract price.[18] The matter of title becomes under these provisions, as it should be, merely academic.

AS under the judge-made law, these statutory provisions require that insolvency must in reality be present, false reports being insufficient. Accordingly, a zealous credit man receiving convincing but in fact untrue rumors of a buyer's shakiness may act too quickly and subject his company to liability for failure to proceed as contracted. For this reason, as well as for his own interest, a buyer or seller should in fairness have no hesitation in dispelling false rumors of his financial condition; satisfactory assurance of ability to perform may often remove the root of growing misunderstanding. Similarly, if the rumors are

14. Muehlstein v. Hickman, 26 F. 2d 40 (8th Cir. 1928).

15. *Id.* at 43. The court quoted this language from the opinion of the United States Supreme Court in Central Trust Co. v. Chicago Auditorium, 240 U.S. 581, 589 (1917).

16. See, *e.g.*, Jewett Publishing Co. v. Butler, 159 Mass. 517, 34 N.E. 1087 (1898).
17. See, *e.g.*, N.Y. Pers. Prop. L., § 134.
18. See, *e.g.*, N.Y. Pers. Prop. L., § 135.

true, it is only just that the other party be given some commercially reasonable certainty of performance or an early chance to lessen his loss resulting from non-performance.

The new Uniform Commercial Code would adopt this view. The Code is proposed by The American Law Institute and the National Conference of Commissioners on Uniform State Laws. It would cover comprehensively the entire field of commercial transactions, including sales, commercial paper, warehouse receipts and other documents of title, investment securities, secured transactions, and bulk transfers, and if adopted, would replace the respective state laws on these subjects. The proposed Code continues the rights presently given by the Uniform Sales Act to a party to a sales transaction upon the insolvency of the other.[19] In addition, it contains the following new provision:

"Section 2—609. *Right to Adequate Assurance of Performance.*

"(1) A contract for sale imposes an obligation on each party that the other's expectation of receiving due performance will not be impaired. When reasonable grounds for insecurity arise with respect to the performance of either party the other may in writing demand adequate assurance of due performance and until he receives such assurance may if commercially reasonable suspend any performance for which he has not already received the agreed return.

"(2) Between merchants the reasonableness of grounds for insecurity and the adequacy of any assurance offered shall be determined according to commercial standards.

"(3) Acceptance of any improper delivery or payment does not prejudice the aggrieved party's right to demand adequate assurance of future performance.

"(4) After receipt of a justified demand failure to provide within a reasonable time not exceeding thirty days such assurance of due performance as is adequate under the circumstances of the particular case is a repudiation of the contract."

REPUDIATION of the contract in the manner described would enable the other party to resort to any remedy accruing upon breach, or await performance by the repudiating party and negotiate for a retraction of the repudiation, and in any case suspend his own performance without liability.

Such a provision, giving a right to adequate assurance of performance upon one's learning of reasonable grounds for insecurity, seems wholly fair to both parties. At the same time, it serves the interests of general society by providing a mechanism for early anticipation of breaches of contract and thus opportunity for minimizing economic losses.

What would be a reasonable ground for insecurity or adequate assurance of performance would depend upon the circumstances. A repeatedly delinquent party would more easily give ground for insecurity than a traditionally stable party. On the other hand, repeated claims for assurance, each time adequately met, would have to be supported by increasingly firm bases for suspicion. A personal assurance would in some cases seem sufficient, while in others a banker's report, an audited statement, or even the posting of a guaranty would seem required.

THE foregoing observations outline a few of the legal signposts to guide credit men to be not discriminatory, but discriminating. If any generality is to be drawn from them, it might be a caution against arbitrariness, against absolute action. Alertness, investigation, counsel, consideration and judgment are all essential to the right exercise of discrimination. What has been said here is an aid, not an answer.

19. See Uniform Commercial Code, pt. 7, (Proposed Final Draft, Spring 1950).

Is There Madness in His Methods?

(*Continued from Page 12*)

Are there peak selling seasons? When? Are the principal products seasonal? Subject to deterioration? Obsolescence? Fashion changes? Are well-defined mark-down policies usually followed? What per cent of sales is usually spent for advertising? What media are used? Daily newspapers? Community papers? Hand bills? Mail? Radio? TV? Window cards, counter cards? Is it a field dominated by "standard" brands and national advertising to the consumer? Do the stores promote brands of their own?

As to principal products carried, what has been the customary margin of gross profit in stores of this kind? Any recent changes? What is the average ratio of annual sales to closing inventory?

CONCERNING our particular retailer-customer we may ask: What are the general lines of merchandise he has been selling? In what general price range?

Is the location advantageous for this operation: What is the population of the town in which it is located? Population of the marketing area to which it caters? Located on corner, or near it? On heavily traveled street? Central business district? Fringe? Neighborhood shopping center? Convenient to parking? To transportation?

Feet frontage? Depth? Floors occupied? Building owned? If not, what per cent of sales was spent for rent last year? Were any of the departments, or any space leased to others? At what rental? Has the building been built or remodeled in the past ten years? Is it more than twenty-five years old? More than fifty? For what purpose was adjoining property on either side being used?

At date of investigation, how many competitors were located in the same area selling the same kind and quality of merchandise? How near was the closest competitor, including specialty stores competing with a single department of a more general store, and vice-versa.

Based on the kind of merchandise and its price range, to what general occupational and income group or groups of customers was the store catering? Laborers? Skilled wage earners? White collar workers below $5,000 annually? Farmers? Middle income groups? High brackets? *Is the location convenient to and the surroundings such as to attract the income groups who would buy the kind and quality of merchandise offered?* (You can't sell yachts on Main Street nor farm implements on Fifth Avenue.)

Is the appearance of the store favorable to this kind of operation? Does the store front appear to have been constructed in the past 15 years? Of what was it constructed? Were display windows, entrance, signs, etc., styled in the prevailing mode for this type of

operation? Well lighted? Were the windows clean? Merchandise in them fresh?

Interior well lighted? Walls and ceiling light? Clean? With what is the floor covered? New fixtures of a style probably designed within the past 15 years? Older than 25? Store air conditioned?

Was the appearance outside and in such as to attract or repel the customers most likely to buy the kind and quality of merchandise offered? (A man with two dollars in his only whole pocket shies at swank because it spells to him prices out of his reach. A customer hunting for a quality mink coat usually expects to walk over traditional thick carpets to find it.)

Did the lay-out largely coincide with the usual lay-out for this kind of business: Where were the staples, if any, located? The fast moving items? Small items? Higher priced items? Did the staple and steady volume items appear to be located at the more distant points and traffic directed past tempters and impulse items? Were closely related items grouped?

Are terms in line with the buying habits and income of the customers catered to? (Farmers might need terms that coincide with crop maturities. Installment terms on certain items appeal more to the lower income groups, etc.) Last year what per cent of sales were for cash? On what credit terms were goods sold? Installment terms? On durable goods? Soft lines? What has been the practice since the last operating statement?

What per cent of sales was spent for advertising last year? What media have been used in the past six months? Were standard brands in stock? Private brands?

Are the customers to whom this store caters concentrated in a community that is dependent for its income upon one principal local industry? What? Is it currently working at full capacity? Have operations frequently been interrupted directly or indirectly by strikes?

As to each principal line handled what average per cent markup is taken when goods are put out for sale? Does the store have a definite policy providing for systematic mark-downs at specified intervals if items remain in stock unsold? At what intervals? How does this check with seasonal deterioration, obsolescence, etc.?

According to the latest operating statement what per cent of gross sales was returned for credit last year? How does this compare to return sales of other businesses of its kind?

WE WIND up our examination of the highlights of our customer's procedures by looking at his financing, paper work, and organization.

A study of his financing offers us many clues to his operating efficiency:

Is bank support likely to be available during the coming six months if needed? Was the bank's attitude favorable at latest check-up? When was that? How long had the bank had the account? Have loans been granted? For what purpose? Was one outstanding? Secured by what? Have loans been "steady" or have there been seasonal cleanups? If trade discounts were forfeited during the past six months have there been no bank borrowings? (Loans may have been sought but refused, or through bad management may not have been sought when needed for the purpose of discounting trade bills.) Is the bank participating in any fixed-capital or long-term working capital loans to be amortized over a period of years? Have payments been satisfactory?

Are there evidences of undercapitalization? (Aside from those revealed by financial statement analysis, to be reserved for later chapters.) What is the minimum starting capital required in a business of this kind? If this business is not more than two years old, with how much capital did it start? If it is a small or medium sized business, on the rough basis of at least $50,000 annual sales per $5,000 of annual salary in a business operating on 33⅓ per cent gross profit, does the sales volume of this company seem adequate to support the number of principals in this business? If, over the past few years, profits have resulted from expanding sales, has a *proportionate* amount of profits been retained in the business? If bank support has been steady, have discounts nevertheless been forfeited? And trade payments slow? Have other types of current financing been used concurrently with bank support? Loans from individuals? Factoring? Were accounts receivable pledged to secure bank or other loans at latest check-up?

Is long-term financing done economically? What is the interest rate on funded debt? How does this compare with current rates? Is there outstanding preferred stock? Bearing cumulative dividends? What rate? Is this in line with current financing of this kind? Have attempts or plans been made to refinance?

GOOD planning relies heavily upon good paper-work:

If this is a small business, what books of account are kept? By the owner or employee? Checked or audited by public accountant? Are books kept by a professional bookkeeping service? Who prepares tax reports: Owner, employee, public accountant, C.P.A., lawyer? Does the principal know his break-even point under current costs? Does he project any kind of sales-and-expense budget? Purchase budget? What comparative records has he been keeping of day-to-day sales?

If this is a larger business, are annual and semi-annual closings and accompanying financial and operating statements prepared by outside accountants? C.P.A.? Are internal checks made by them? Have sales and expense budgets been projected regularly? Has one been prepared for the current period? Did sales meet the last budget, and did operating expenses stay within it? Was an inventory-control system in operation at date of investigation? How often are interim profit-and-loss estimates projected based upon perpetual inventory records or estimated inventory?

GOOD practice in personnel-organization implies well-distributed authority and responsibility, clearly defined yet coordinated. It implies that key executives be motivated by a share in the profits; that they be qualified by past experience and training; that each be seconded by a competent understudy, but that turnover be kept to a minimum. The questions:

If this is a corporation, how many

changes in officers, directors, or key executives or principals in the past few years? Who owns the controlling stock? Does the Board of Directors include men of wide business experience? Who have controlled the policies of other businesses? Or filled executive positions? What is the age-range of the principals? Well-balanced?

If there is more than one principal, do the general fields of buying, selling, financing, etc., appear to have been clearly defined as a responsibility and authority? Does each principal have a right-hand man who can carry on in his absence?

As to each of the principals, how long did he work in this kind of business before he became a principal? What did he do? Was his past experience closely related to the duties he performs now? What was the extent of his formal education? What specialization?

In your contact with one or more of the principals, did the conversation indicate that he belonged to trade, technical, or other business associations likely to keep him acquainted with trends of technique in his business and in his particular segment of responsibility? That he studies change and trend in his field? That he is familiar with trade-papers, business and financial journals, economic reviews, etc? Was he familiar with Federal, State and Local laws affecting his operations? (Licensing? Labeling? Fair Trade regulations? Taxes? Labor laws?)

Does this business employ legal counsel on a regular basis?

How long has this business been in operation?

OUR questions about operations come to a close here, not because there are not others that could be asked to advantage, but *because there is no end to them.* No two industries are alike, no two individual business units in them are alike, nor does one unit stay the same from day to day.

But that concept need not overwhelm us. Obviously a credit manager can't answer all these questions about all of his customers and keep on asking all of them as often as change takes place. What he can do is construct an outline using as much of this material as he needs for examining and re-examining his *average* customer's operations. And then pursue more extensive patterns of investigation as individual situations require. Naturally any technique such as here outlined can be effective only after it has been shaped to the peculiarities inherent in both the creditor's and his customer's operations. For that reason more extensive paths of investigation have been suggested than may be needed in the case of *any one* particular customer.

BUT for quite another reason too the questions have traveled part way down many avenues. The purpose was to upset single-track tendencies in credit analysis and show the rich potentials which are to be found in an area of investigation which all too often receives no more than a dutiful glance in routine credit practice.

We spend much time behind desks. Our eyes are near-sightedly glued to reports, to the printed page, its words and its figures. These are indispensable to credit practice. But words and figures are only symbols, representing and describing in varying degrees of accuracy facts about a customer's operations. Out in the physical world the actual operations are going on. Surely we ought to get out frequently and have a look at what our symbols are supposed to represent.

For close to a hundred years credit men have been trying to evaluate something called "capacity" and to do it by guessing what is inside a man's head. "How smart is he?" "Has he ability?" are questions not directly answerable.

"What are his buying, selling, financing, etc., practices?" In short, "What has he been doing?" "How has he been doing it?" are directly answerable. If they point to inefficient practices, by valid comparisons, we may expect poor results, unhealthy trends, and all that they imply if not corrected.

If, on the other hand, they indicate efficient methods, past and present, we may expect that our customer will succeed in carrying out his wish to keep his business liquid and pay his bills: *he is using effective means for doing so.*

Are Credit Men Scorekeepers?

(*Continued from Page 14*)

from a job well done that is equal to any in their company.

A credit man who is a player and not a scorekeeper guides the lives of many people in the right direction and he ought to get a lot of happiness out of it.

It is your privilege to start them right and see that they do not get lost or go astray. When business was static in the retentive phase, the credit man's job was a cinch. In the dark old past business was willing to lay down to be studied at repose. Now it is on the move. Money is circulating at a high velocity. Things are moving faster.

To compare a credit man of yesterday with a credit man of today is like comparing a driver of a horse and buggy with a jet plane pilot. We have a new brand of credit man. If they are players they are salesmen too. This new race of credit men takes the mystery out of credit and makes it a part of distribution. The old fashioned credit man who is secretive and plays his cards close to his chest is out. He is no longer a mystery—he is just a self-made puzzle.

People are afraid of things they do not understand just like children being afraid of the dark. People are afraid of credit problems they do not understand so it is up to you to explain clearly.

Of course, you are getting some help from the educational institutions because when our youngsters go to college, particularly where they take commerce, they get good courses in credit, finance, business management, so that the mystery is removed and they know pretty well what to expect. They expect a lot from you in the way of leadership. Don't let them down.

It is your particular responsibility not to let them down when they are just starting in business. I see many of them looking for jobs. Unfortunately, most of them are looking for security when there is no such thing. When a young man of twenty-five inquires as to what our pension system is I lose my re-

spect for him. It is up to you as entrepreneurs to stimulate these young people and to make them realize that the most valuable personal capital they will ever have is their own resourcefulness, ingenuity and knowledge.

Credit men better than anyone else know that you "cannot live on the breath of yesterday." It is up to you to reflect this principle.

A lot of people talk about the fact that they are scared about inflation. Sometimes credit men talk that way too, as though it were something new. We have had inflation for 25 years and we are going to continue to have it, the rest of our lifetime. The price levels are going to continue to go up so don't be frightened about it. Take it for granted.

Our generation, and I speak for many of the old timers, is a tough generation. We have had a rough life and we are used to it. We have been up and down and on the spot so often that we know there is nothing permanent except change. Before the first war it was a fight for an education. Many of us worked our way through school. Then War and we learned how to destroy and kill, and a lot of our friends were all through that and know all about it from bitter experience. Maybe we were pretty good at destroying things. We were only kids and that is what they taught us. But this was over and we had to learn a new set of rules. We were thrown back to business. We were too young to get in on the stock market deals with the big inflation in 1929. Remember the fellow who was not in the stock market at that time in 1929 was considered a sucker. When most of us were too young we just got interested in those rules when BOOM, another collapse, another set of rules, an economy wave. Then another change, a business boom, more inflation. Then, another War, another set of rules, then a slight deflation and a jittery world, and now inflation again. Do you wonder we are tough? Nothing can hurt us anymore because nothing in the future is going to happen that is going to be any tougher than it was in the past. So you fellows of my generation who have been through this have the responsibility to be calm, cool and collected in the face of all kinds of dangers. The world expects it of you because you are tough.

YES, I love credit men because I like to get my check every month. Therefore, I hope you will forgive this word of advice. If you are a scorekeeper and want to change your status to a player, then here is how to start. Get acquainted with your sales organization. Work with some salesmen, make twenty calls a day for a week. Visit your plants and your laboratories so you can evaluate your product honestly and independently. Take a course in advertising at the Advertising Club at night so you can evaluate advertising. Take a course in selling at the Sales Executive Club at night. In most towns there are many courses in every phase of business at the universities. It will pay you to investigate them and expose yourself to them. One thing it will do, it will rekindle your enthusiasm for business success regardless of your age. It will change your viewpoint. It will make you realize that the credit responsibility is only one phase of the overall distribution picture and that you should play an important part in the whole picture.

It will rekindle in your mind that famous saying of Shakespeare's which says "in the bright lexicon of youth there is no such word as failure," and I interpret that as meaning that in the bright lexicon of the player, there is no such word as failure.

When you go back to your room look in the mirror and ask yourself the question "Are you a Scorekeeper, or a Player?"

The Sales Viewpoint on Credit

(*Continued from Page 16*)

our social or business contacts, have heard expressions about the two extreme types: the cold, formal approach to collect, and the warm, cordial request. I believe if figures were available on the number of accounts and the volume of business lost because of inconsiderate, cold credit letters, they would startle us. I see no reason or excuse for them except that the guilty party has only one objective in mind: get the money, get it fast, and let the chips fall where they may. Everytime I read or hear about a poorly written credit letter I cannot help but feel the sender is representing a pretty poorly established enterprise, is afraid of his job, and, in addition, probably goes home each night and beats his wife and kids.

Thank goodness, there are many splendid, intelligent credit letters which not only build good will and business, but, I believe, actually shame people into paying their bills. Seldom are accounts lost from a warm, friendly credit letter. If they are, it surely can be no fault of the credit person sending it. There is no crime connected with a request for payment of a just obligation.

I SAVED a few examples of what I have in mind. With your permission, I would like to read them to you.

John Jones and Company, Inc.
Great Bend
Wisconsin
Gentlemen:

We desire to know what your intentions are about your past due account. Unless paid within 10 days you may force us to advertise your account for sale in your home town paper. We pay our bills on time and can see no reason why you should not do likewise. If you did not intend to pay for our merchandise why did you order it?

Let us have your check.

Yours truly,
CREDIT DEPARTMENT

Mr. John Jones
110 Wersal Drive
Boston, Massachusetts
Dear Sir:

It just occurred to us that possibly the reason we haven't had any orders from you recently is that you are hesitating to send them because your account is overdue.

Now that is a situation we want to correct from both angles. We want to continue supplying you with your requirements, and, of course, we would like a check.

If you can't send all of it now, here's a suggestion. Make a partial payment (a third or half) with an arrangement about the balance, and send them along with a new order. You surely must be needing more merchandise.

We will okay an amount equivalent to your payment. That's fair enough, isn't it?

Yours very truly,
Credit Manager

I leave it to you which type of letter has the best chance of retaining a customer's good will and patronage which is really the important thing because undoubtedly the bills would be collected regardless of the type of letter used. In closing, I sincerely hope you people have taken my comments in the true spirit in which they were intended; that of giving both of us in Sales and Credit something constructive to think about whereby we can both do a better job for our employers.

Credit Management in a Transitory Economy

(*Continued from Page 21*)
the customers whom it served. World War II thus settled very comfortably on the shoulders of an administration ready to welcome this role.

The dismaying feature since the end of hostilities, however, has been the reluctance to withdraw. The glories of a welfare state have been constantly extolled as justification for a great variety of government activities heretofore considered as lying within the province of private enterprise. Now we have the picture of billions being handed to a very receptive administration.

TO THE extent that the guns program cuts into butter the dominance of the government in the economy will be increased. However, as I have pointed out several times, the productive capacity of this country has seldom been strained. Various studies have been made of America's capacity to produce but always, so far as I know, in terms of existing plant capacity and, of course, in terms of current processes.

It would be difficult, if not impossible, to predict where improvement in processes and enlarged plant capacity could take us. The astronomical heights of productive capacity under new conditions can not be measured.

Now it is well known that the demand for butter or civilian goods is strong and insistent. That fact has probably accounted for expansion in productive capacity during past wars fully as much as the pressure for arms manufacture. Labor-saving devices, substitutes for scarce materials and improved processes spring up like mushrooms when the demand promises to endure long enough to justify the investment they require. I believe that is what we may look for now. To the extent that it comes to pass, it will go far to relieve the inflationary pressures, it will keep the economy on a more even keel, it will give us a somewhat better standard of living, and it will almost let us eat our cake and have it. However that achievement, as desirable as it is, does not minimize the two dangers to which I have previously referred.

During all this period the government will occupy a powerful if not dominant position as the generative force in the economy. The "DO" orders will have precedence over civilian wants and the time will come when, if an actual war is avoided, America's defenses will have been established at a necessary maximum. Opinion may differ as to where that point will be but surely all will agree that in the absence of hostilities some such maximum will be reached. Then we are faced with the second of the dangers I have pointed out; the reliance upon arms manufacture as a vast new industry.

The dislocations brought about by the end of World War II were eased to a tremendous extent for two reasons. One, the pent up civilian demands were ready to take up where arms manufacture left off and two, the Committee for Economic Development had made advance plans in thousands upon thousands of cases so that the machinery of conversion could work with astonishing smoothness. Bank loans had been arranged in countless cases where they might be needed. Stand-by orders were given to small business by large corporations so that no time might be lost, thus avoiding lay-offs of workers and avoiding other ill-effects which long interruptions would be certain to cause. Further the unprecedented use of the deferred payment plan created mass markets for luxury goods on a scale hitherto thought impossible.

The end of a preparedness program will of course be accompanied by a resumption of civilian goods buying in a few directions but, by and large, that buying will have been resumed gradually over the period. A slackening of credit restrictions will further expand markets, to some extent, but the staggering nature of the problem of what to do with plant capacity or how to adjust our economy to the discontinuance of activities which have grown to represent over twenty per cent of our national production I leave you to contemplate.

BY THIS time most of you must have come to the realization that I have raised more problems than I have settled and that this paper has not provided too many lighthouses by which you might chart your course. That is true but what one of us would a year ago have prophesied that the "burdensome surpluses" of corn, wheat and potatoes could become the "strategic supplies" of late 1950? Who would have prophesied that the gold in Fort Knox might become a spendable commodity to restore some prosperity to far corners of the earth and at the same time give added impetus to our preparedness program? Who would have prophesied that the ebb tide of E.C.A. supplies might be engulfed by an import balance unknown to this generation?

The business of credit management must anticipate situations such as these and many more, but the old time-honored economic guideposts are certain to prove inadequate. Their inadequacy lies in the fact that individual political decisions will come increasingly to shape our environment, to the extent that they replace the more natural economic influences. As the substitutes for economic discernment become more and more dominant, your work will become more and more precarious. With each new step into the danger zone of uncertainty you will, of course, have all the qualms that go with hazardous adventure. Your fears, however, can be accompanied by the satisfaction in the knowledge that, in a very real sense, you are the guardians of the good health of the corporations which you serve.

Petroleum Credit Men's Conference Attracts Record Breaking Attendance

Cleveland: The American Petroleum Credit Association held its Twenty-Sixth Annual Conference at the Statler Hotel, Cleveland, November 13-15, 1950. More than one hundred and thirty petroleum credit executives from practically every state in the United States and parts of Canada, were in attendance for the three day session. The meeting was the most successful and largest in attendance in the history of the organization.

Three outstanding speakers appeared on the program. Robert H. Collacott, manager, Marketing Research, The Standard Oil Company (Ohio), spoke on the subject, "Credit Management in a Transitory Economy." David Elliott, economist, The Cleveland Trust Company, Cleveland, presented a talk on "A Look Ahead." And Spencer D. Irwin, foreign news editor, Cleveland *Plain Dealer*, Cleveland, had as his subject, "North American Outposts of Peace." Mr. Collacott's address appears elsewhere in this issue.

In addition to these speakers, there were numerous open forum and panel discussions, in which a majority of the petroleum credit executives in attendance took part. A few of the many shop subjects discussed were, "Credit Cards," "Tires, Batteries and Accessories," Budget Selling," "Regulation W," "Jobber Accounts," "Fuel Oil," "Industrial Accounts," "Customer Relations," "Farm Credit," "Transport Deliveries," "Motor Carriers," "Contractors," "Liquid Petroleum Gas," etc.

One of the highlights of the conference was the survey report presented by the credit economics committee of the American Petroleum Credit Association. This report was prepared by the Credit Research Foundation, National Association of Credit Men, and was presented to the meeting by J. A. Walker general credit manager, The Standard Oil Company of California, San Francisco, chairman of the committee. The report was made up of nine sections, and each presented a specific survey. "Distribution of Bad Debt Losses," "Credit Card Accounts Receivable—Their Condition," "Wholesale Accounts Receivable—Their Condition," "How Are Collections?" were a few of the interesting and informative figures compiled for the industry.

Another feature of the conference was the presentation of citations to past presidents of the organization. There were thirteen past presidents in attendance, the oldest in point of service going back to 1926. The "oldtimers" commented briefly on how the organization was originally started, and all were happy to see its growth since they had presided over these meetings.

The new board of directors of the American Petroleum Credit Association. Seated (left to right): H. E. Butcher, treasurer; J. A. Walker, vice-president; D. E. Burroughs, president; S. J. Haider, secretary, and A. E. Fletcher, retiring president. Standing (left to right): M. V. Johnston, E. W. Hesse, H. R. Wakefield, H. M. Barrentine, L. T. Kendrick, W. W. Witmer, E. P. Simmons, W. M. Smith. R. W. Weiler, eastern vice-president, was not present.

Retiring president A. E. Fletcher, the Standard Oil Company (Ohio), passes the gavel to newly elected president D. E. Burroughs, Shell Oil Company, New York (right) of the American Petroleum Credit Association during the closing session at the Statler Hotel, Cleveland. This was the first meeting of the Association to be held East of Chicago.

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Officers and Directors of the American Petroleum Credit Association for next year are as follows:

President—D. E. Burroughs, Shell Oil Company, New York, N. Y.

Vice President—J. A. Walker, Standard Oil Co. of Calif., San Francisco, Calif.

Regional Vice Presidents—E. P. Simmons, Magnolia Petroleum Co., Dallas, Texas; W. M. Smith, Standard Oil Co. (Ind.), Chicago, Ill., and R. W. Weiler, Texas Co., New York, N. Y.

Treasurer—H. E. Butcher, Cities Service Oil Co., Chicago, Ill.

Secretary—S. J. Haider, National Association of Credit Men, St. Louis, Mo.

Directors—H. M. Barrentine, Skelly Oil Co., Kansas City, Mo.; A. E. Fletcher, The Standard Oil Co. (Ohio), Cleveland, Ohio; E. W. Hesse, Phillips Petroleum Co., Bartlesville, Okla.; M. V. Johnston, Gulf Oil Corp., Pittsburgh, Pa.; L. T. Kendrick, Gulf Oil Corp., Atlanta, Ga.; H. R. Wakefield, Sun Oil Co., Philadelphia, Pa., and W. W. Witmer, American Mineral Spirits Co., New York, N. Y.

The newly elected President, D. E. Burroughs, announced that the next Annual Conference of the A. P. C. A. would be held at The Adolphus Hotel, Dallas, Texas, October 15-16-17, 1951. Another record breaking attendance is expected at next year's meeting.

$250 in prizes!

Do you fancy yourself as a credit correspondent? If so, here's your chance to put your talents to work and show how it should be done! Between now and the 55th annual Credit Congress, which is to be held in Boston, Mass., May 13-17, 1951, this publication is sponsoring THREE contests to find out who can write the best letter on each of three problems which occur in credit work.

VALUABLE PRIZES

The contestant whose letter, in the opinion of the judges, is the best in each contest will receive a prize of $50.00. IN ADDITION, the contestant whose letter, in the opinion of the judges, is the best in all three contests will receive a **GRAND PRIZE OF $100.00.** This prize will be awarded during the 1951 Credit Congress.

HERE'S ALL YOU HAVE TO DO

For each contest a problem will be presented. You then write a letter to your customer covering the problem given. For instance, you may be called on to write a letter to a customer asking for a financial statement. It's as simple as that. You do it every day, but this time you're doing it for cash—fo- you—not your company.

HOW ARE THE LETTERS JUDGED?

Letters will be judged on two bases only: they must be in good, grammatical English and they must be so written that they have at least a good chance of producing the action on the part of the customer that you hope for.

WHO WILL DO THE JUDGING?

All letters will be judged by members of the National Publications Committee. The winner of each contest will be the writer whose letter is considered best by majority opinion of the judges. In the event that the majority of the judges consider two letters of equal merit two prizes will be awarded.

WHO MAY ENTER?

The contest is open to:

All representatives of companies holding membership in the National Association of Credit Men;

All associate members of local credit men's Associations, and

All members of Credit Women's Groups.

WHAT ARE THE RULES?

There are very few rules and these few are very simple

1. Write your letter on plain white paper, NOT on your company's letterhead nor on your own printed stationery.
2. Do not put *any* address at the top of your letter. The first thing you will write will be the date. Nothing above the date.
3. Sign your letter with a *nom de plume.* Do NOT sign your own name.
4. On a separate sheet of paper write your *nom de plume* on one side and your name and address (home or office, as you prefer) on the other. Fold this second sheet so that your *nom de plume* is on the OUTSIDE. The sheet containing your *nom de plume* and your name and address will be retained in the publication office of CREDIT AND FINANCIAL MANAGEMENT. The judges will have no idea whatever who are the writers of the letters submitted.
5. Mail both sheets, in the same envelope but folded separately, to the address below.
6. It's not absolutely essential but it would help if entries were typewritten.
7. Any correspondence with the judges concerning this contest will be automatic grounds for disqualification.
8. The decision of the judges is final.

This is the third problem

You have a customer who is growing and has always discounted promptly. You have never set a credit limit on this account. However, recently the size of his orders has increased substantially and you feel that the balance outstanding at the higher level is not warranted by the current financial information available. Write to the customer explaining that you are going to place a limit on his account and tell him why you feel it is necessary to place it.

WHAT IS THE DEADLINE?

All entries for this final contest must be in the editorial offices of CREDIT AND FINANCIAL MANAGEMENT, One Park Avenue, New York 16, N. Y., by Friday, January 26, 1951. The name of the winner of this contest will be announced in the March 1951 issue of CREDIT AND FINANCIAL MANAGEMENT.

SO THERE IT IS!

Go to work right away and get your entry in before the deadline. And remember, in each contest you may win a $50.00 prize, and if your entry is judged the best in any one contest you are eligible for the **GRAND PRIZE OF $100.00.** Send your entry to:

Contest Number 3, Credit and Financial Management

One Park Avenue New York 16, N. Y.

Miami Association Celebrates First Official Birthday

Miami: The Miami Association of Credit Men held its first annual meeting November 14 at the Miami Women's Club. The progress made by the Association in its first year was outlined to members. Dr. Reinhold P. Wolff of the University of Miami was the speaker.

During the meeting officers were elected: I. W. Gard, A. H. Ramsey and Sons, Inc., president; W. G. Coffeen, I. E. Schilling Co., first vice-president; Lilburn Railey, Jr., Railey-Milam, Inc., second vice-president, and D. C. Terrell, Horne-Wilson, Inc., treasurer.

Chicago Refresher Course Closes; Six Scholarships Awarded

Chicago: Unusually high standards both in class attendance and examinations featured the annual Short Course in Credits and Collections under the direction of the Educational Committee of the Chicago Association of Credit Men beginning September 25 and closing November 6.

Six scholarships in the School of Commerce of Northwestern University were awarded to three women and three men for excellent work. Those receiving awards were Miss Grete Schiodt, Miss C. E. Hustedde, Miss Genevieve Havlik, Stephen P. Steffens, Patrick Gibbons, and Dwight Sisney. The women awards were made by the Credit Women's Club of Chicago and the men awards by the Chicago Association of Credit Men.

At the annual dinner closing the course in addition to the awards Edward L. Kipley was presented the Fellowship Award of the National Institute of Credit.

National President Pays Visit to Tacoma

Tacoma: National president A. J. Sutherland, Security Trust & Savings Bank of San Diego, nearing the end of his nation-wide tour, spoke at the November 21 meeting of the Tacoma Association of Credit Men at the Winthrop Hotel.

Publisher Addresses Hartford Credit Men

Hartford: A. C. Croft, president of the National Foremen's Institute, was the guest speaker at the Hartford Association's November meeting at the Wethersfield Country Club.

Mr. Croft was elected president of the Foremen's Institute in 1937 after 25 years in the publishing business. He is publisher of the Educator's Washington Dispatch, the Executive's Labor Letter and the Foremen's Letter.

CREDIT CAREER

KARLA J. HOWE, president of the Great Lakes Varnish Works, is a native of Chicago, where her father, the late Christian Howe, was a renowned muralist.

When she was 18 years old the business in which her father had invested his savings failed.

There was nothing to do but go out and get a job; so go out and get a job she did—with the Unkefer Varnish Co., now long out of business. At the same time she studied accounting and kindred subjects at La Salle Extension University.

After a period with Unkefer, she and two associates, John G. Shilvock and T. C. Thorsness, founded the Great Lakes Varnish Works of Chicago. At first Shilvock served as president, Thorsness as vice-president and Miss Howe as secretary-treasurer. Upon the death of John Shilvock in 1940 Miss Howe became president.

During the past 25 years Miss Howe has established herself as one of the leading business women (perhaps we should have said business executives) in the Chicago area but the fact that she is a leader in the business community has not deterred her from taking educational courses wherever feasible.

Apart from being active in the Credit Women's Group of Chicago, Miss Howe is a member of the Soroptimist Club and is treasurer of the Institute of Industrial Engineers and Executives.

New Orleans NIC Chapter Starts Season's Activities

New Orleans: The New Orleans chapter, National Institute of Credit, held a get-together party Thursday, November 16. Association and Credit Women's Group members were invited.

The chapter has re-elected its officers: G. Alfred Knesel, Hibernia National Bank in New Orleans, president; J. E. Hodsoll, I. L. Lyons and Co., Ltd., vice-president; M. V. Westerhaus, Penick and Ford, Ltd., Inc., treasurer, and W. F. Phillips, American Sugar Refining Co., secretary.

Credit Research Foundation Reports On Productivity

A study of the productivity of credit in industry has just been completed by the Credit Research Foundation, Inc., research affiliate of the National Association of Credit Men.

The study was made to determine to what degree credit administration can contribute to the increase of profitable business and to discover what credit policies can increase business volume.

The study quotes actual examples—some identified, some not, according to individual company policy—showing just what a credit executive can do towards not only increasing present volume but also keeping customers able to maintain volume purchases during periods of distress. The examples quoted include large and small companies in the manufacturing and wholesaling fields.

Since this subject is to be a continuing project for the Foundation replies are invited from both members and non-members to the following question: "What has been the most productive credit action taken by you as credit manager during the last six months?"

Two Members of Heimann Family Pass in One Week

St. Louis: Death came twice in one week to the family of executive manager Henry H. Heimann during the month of November.

On Tuesday, November 14, when Mr. Heimann was in Detroit for the annual board meeting, his brother, Maurice, a sales executive for the American Can Company, died suddenly. He was buried the following Friday. On Sunday, November 19, his mother died after a lingering illness.

Graduate School Faculty Member Heard at Rochester

Rochester: Dr. Arthur R. Upgren, associate editor of the Minneapolis *Star-Journal* and professor of economics at the University of Minnesota, addressed the Rochester Association of Credit Men at their November meeting. Dr. Upgren, well-known to credit executives as a faculty member of the Graduate School of Credit and Financial Management, spoke on "Business Conditions—1951 Style."

Pittsburgh Food Group Honors Retiring Member

Pittsburgh: The food products credit group of the Credit Association of Western Pennsylvania paid honor to S. S. Vance, Swift & Company, with a testimonial dinner signalling his retirement. Mr. Vance has been affiliated with the group for more than twenty years.

News from the

CREDIT WOMEN'S GROUPS

Cincinnati: The Midwest Wholesale Credit Women's Conference convened in the Sheraton-Gibson Hotel, Cincinnati, Ohio, November 10, 11 and 12.

The conference was greatly honored to have Marian McSherry, chairman; Marie Ferguson, secretary, and Loretta Fischer, vice chairman, National Credit Women's Executive Committee, with us; also Freddie Deissroth, member, National Board of Directors, N.A.C.M.

Marian McSherry highlighted the Saturday morning session with an inspirational key-note address, "Where are we going?" which was most enthusiastically received. The afternoon session featured a "bread and butter" discussion panel: "Information Please." Lucy Killmer, Cleveland, past chairman, N.C.W.E.C., did an outstanding job as moderator and Loretta Fischer, Milwaukee, Wisconsin; Alleen Harrison, past chairman, N.C.W.E.C., Louisville, Kentucky, and Helen Lyddan, Dayton, Ohio, participated. They spoke on the following thought provoking subjects respectively: "The Golden Rule," "What a Credit Girl Should Do to Keep Ahead," and "The Voice Behind Your Accounts."

The keen interest and appreciation of this fine program was evidenced by the lively audience participation at its close.

The Ballroom of the Sheraton-Gibson Hotel formed an attractive background for the visitors, who gathered there Saturday night to enjoy the banquet and an evening of entertainment.

The Sunday morning breakfast was a fitting climax to the splendid program which preceded it. Marian McSherry presided, while the three main objectives of our Credit Women's Groups were forcibly given emphasis by Loretta Fischer, who spoke on education; Blanche Scanlon, who in the absence of Elma Hanson (because of time and distance) spoke on publicity; and Rosa G. Basler, who spoke on membership. Verda Hughes, Kansas City, Flora Mead, Louisville, Kentucky, and Antoinette Rehrauer, Chicago, executive committee members in attendance, introduced the presidents of the groups in their respective districts and called for their reports. Each in turn gave a splendid accounting of their groups' activities.

The Conference was launched by Gertrude Stelzle, conference chairman, Loretta Johnston, co-chairman, Ruth Mason, president, and an active corps of conference chairmen and their committees.

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New York: At their November 2 meeting at the Warwick Hotel, the New York Credit Women's Group had the privilege of hearing Earl N. Felio, Colgate-Palmolive-Peet Co., vice-president of the National Association of Credit Men. The members were all mentally stimulated by his thought-provoking address on "Looking Ahead."

Miss Mary Shaunty, of Dorland, Inc., was the surprised recipient of an orchid for her efforts in securing a new member for the New York Credit Men's Association. Mrs. Salmon read Miss Alice Barnhardt's report on the Northeastern Convention. Miss Barnhardt is the first Group delegate sent to a regional convention under the "Fraser Career Incentive Award."

The Group will hold its annual Christmas Party at Sherry's on December 8 and its February meeting at which Mr. Henry Heimann is the scheduled speaker.

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Philadelphia: Frederick G. Leser, past commander of the Henry H. Houston II Post No. 3, American Legion, described the history of the American Flag at the November 9 meeting of the Philadelphia Credit Women's Club. The speaker is secretary-treasurer of the Philadelphia Manufacturers Mutual Fire Insurance Company.

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Oakland: The Oakland group of Credit Women met at the Robin Hood Inn for their November meeting. After dinner Mr. John R. Ober guest speaker brought us an interesting subject, "The Romance of the Safe Deposit Box." This revealed the unusual in deposit box openings. Mr. Ober has worked in both City and County offices and is at present a representative of the State Controller's office and is one of the three appointed Alameda County State Inheritance Tax Appraisers.

Edna Gibbel and Gladys Hanssen, both members of the group, gave talks on the history of their respective companies.

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Pittsburgh: Thanksgiving Day caused the Pittsburgh Credit Women to change their meeting date to November 15. The speaker was Miss Louise Papanek, assistant to the president, Boggs & Buhl. Her subject was "You Really Run a Department Store."

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Syracuse: The Credit Women's Groups of Syracuse and Utica joined in a meeting here October 31 at the Onondaga Hotel.

Credit problems were discussed by Charles V. Lane, vice-president, Syracuse Trust Co. and president of the Syracuse Association of Credit Men; Newton D. Bartle, secretary-treasurer of the Association, and Henry Loeb, of the Association staff.

Detroit: The November meeting was held on the 21st, at the Ingleside Club, 35 Atkinson Avenue. A most interesting program was planned. For that evening, we cast aside business and care, and were transported away to the spell and enchantment of vacation lands. We saw two travelogs, "Skyway to Mexico," which is in color and sound, and "Acapulco, the Riviera of the Americas."

Arrangements are being made to have the Christmas party in the River Room of the Hotel Fort Shelby on December 19.

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Portland, Oregon: An unusually large number of members attended the November dinner meeting in the Italian room at the Mallory Hotel. The featured attraction was an auction sale of packages sent the group by members while vacationing. Miss Meg Ramage while abroad sent a package from Scotland; also parcels were sent from Alaska, Guatemala, Mexico City, Canada, eastern and west coast cities. A surprise amount was realized. The money from the sale will be used to purchase dolls for needy children at Christmas. This doll donation to the sunshine committee of Portland is an annual project with our group.

During the dinner hour the YLI choral group (of whom our own Elisabeth Moorman is a member) entertained with a musical program.

Preceding the auction a discussion of "Current Credit Problems" was held.

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Boston: The Credit Women's Group of Boston held a very interesting meeting on Thursday, November 9, at the Pioneer Hotel with 34 members present. The guest speaker for the evening was Miss Virginia Drew, nationally known handwriting analyst and director of the Virginia Drew Guidance Center. She has analyzed the handwriting of many famous personages, both in public and theatrical life, and as an added attracton, also analyzed the handwriting of the members present at the meeting. She explained that graphology is the scientific name and that the graphologist must be a trained psychological expert. She has had much experience in working with the personnel departments of many corporations where, through certain outlined tests, the right person can be picked for the right job. Graphology is also used by the U. S. Government and the F.B.I. personnel must be trained graphologists. She briefly outlined certain handwriting characteristics that can be easily analyzed and altogether, gave a very interesting and enlightening talk.

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St. Louis: The credit women's group of St. Louis celebrated its silver anniversary November 30 at the Starlight Roof of the Chase Hotel.

A. E. Fisher, secretary of the St. Louis Association of Credit Men, acted as toastmaster and the speaker was Victor C. Eggerding, Gaylord Container Corp., a past national director, whose subject was "Credit Women—Today and Yesterday."

Omaha Confers Life Membership on Fred Harris, Past "Veep"

Omaha: The Omaha Association of Credit Men on November 16 presented a gold life membership card to Fred Harris (left), 5602 Jones Street, a member of the organization for 28 years. The award was made by R. J. Ulman (right) past president and national director, at a dinner meeting at the Rome Hotel. Mr. Harris, 70, retired as credit manager of the John Deere Plow Company November 1 after 38 years of service.

Mr. Harris held the position of Vice President of the Omaha Association of Credit Men, 1943-1944. He would have been elected President but declined to do so, due to war and business conditions. He served several terms as director. He has been very active in the Association, having taught "Credits & Collections" at the Omaha University for three years. He has also been a speaker and taken part in many Tri-State Conferences and regular Association meetings.

Harry W. Caton Retires; 37 Years with Glidden

Cleveland: Retirement of Harry W. Caton, general credit manager of The Glidden Company, after 31 years of service, was announced by J. A. Peters, treasurer.

Mr. Caton, who joined The Glidden Company as credit manager for its Forest City Paint Division in 1919, has been general credit manager since 1922.

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New Orleans: The regular monthly meeting of the New Orleans Credit Women's group was held at Delmonico's November 16. Miss Helen Dumestre, principal of the Jackson School, was the speaker. Following the meeting the members attended the get-together of the New Orleans chapter, National Institute of Credit.

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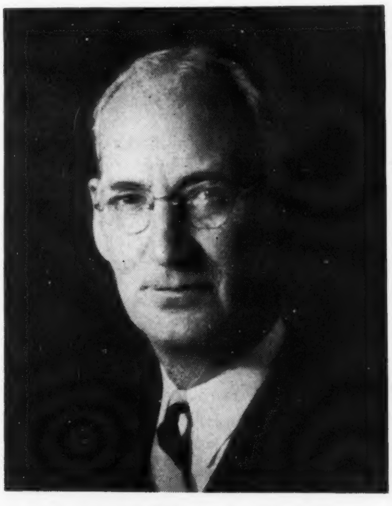
Kansas City: The Kansas City Credit Women's Club had its meeting Wednesday evening, November 8th. Reverend Herbert Duenow, Pastor of a local Congregational Church, gave a book review on "Pearl Diver's Luck" by Clarence Benham. His description of deep sea life was vivid and exciting.

WITH REGRET

We regretfully announce the passing of these members of the Association.

John D. Robertson, Credit Manager, The Detroit Free Press, Detroit, Mich. . . . **Wesley J. Smalley,** President, Smalley Automotive Supply Co., Kansas City, Mo. and Past-President, Kansas City Wholesale Credit Association . . . **Charles M. Gibbs,** Credit Manager, Dearborn Packing Co., Chicago, Ill. . . . **Edgar J. Smith,** Assistant Cashier, Harris Trust & Savings Bank, Chicago, Ill. . . . **T. L. Hyndman,** Treasurer, Sloan Paper Company, Atlanta, Ga. . . . **Harry A. Reaser,** Credit Manager, F. E. Meyers & Bros. Co., Ashland, Ohio . . . **Edward L. Harris,** retired Credit Manager, Swift & Company, Boston, Mass. . . . **Ray R. Ridge,** Senior Vice-President, The Omaha National Bank, Omaha, Nebr. . . . **R. P. Robinson,** retired, President of the Omaha, Nebr., Association of Credit Men, 1919-20 . . . **O. L. Stanhope,** Credit Manager, Harrington and Richardson Arms Company, Worcester, Mass. . . . **L. C. Kurtz,** President, L. H. Kurtz Co., Des Moines, Iowa . . . **Peter F. Buchert,** Credit Manager, Meyer Bros. Drug Co., St. Louis, Mo., and President of the St. Louis Association of Credit Men.

William C. Hussey, Past National Director Died; 50 Years with Company



Rochester: William C. Hussey, secretary and a director of Levy Bros. and Adler-Rochester, Inc., died November 13 at St. Mary's Hospital after a short illness. Funeral services were held at Christ Episcopal Church on Wednesday morning, November 15.

Mr. Hussey, who was born in Bristol, England, came to Rochester a little over 50 years ago and had been with his company ever since, starting as office boy. He had been a director for twenty years and secretary for ten.

He was a past president of the Rochester Association and a past national director. He is survived by a daughter, three sisters and a brother.

Columbus Sponsors Four Educational Forums During Winter

Columbus: Instead of the usual credit courses offered in previous years the Columbus Credit Association this year is sponsoring four forum meetings which will cover various credit department problems. The meetings are being conducted by W. B. White, credit manager, Smith Bros. Hardware Company, who has been active in credit education work.

The first forum, on November 16, dealt with the general theme of getting the most out of credit reports, including such questions as how to read and analyze credit information, how to interpret credit ratings and how to use Interchange reports.

The subjects of the other forums are as follows:

January 18—Special credit department problems.
Credit limits.
Difficult credit decisions.
Difficult collection problems.
February 15—Goodwill—where it is and how to get it.
New and old customers.
Within your own organization.
March 15—Meeting the customer face to face.
Interviewing the credit applicant.
Discussing the past due account.

Northern Wisconsin Credit Men Sponsor Out-of-Town Meetings

Green Bay: The Northern Wisconsin-Michigan Association of Credit Men held three out-of-town meetings during December on successive days.

The fifteenth annual Christmas party for members and guests took place at the Wausau Club Tuesday, December 5. The following evening a meeting for members in the Appleton, Kaukauna, Neenah-Menasha area was held at the Valley Inn, Neenah. On Thursday evening, December 7, the Manitowoc-Two Rivers Group met at the Hotel Manitowoc. David A. Weir, secretary, NACM, spoke at all three meetings.

College Credit Society Plans Ambitious Program

New York: The Credit and Financial Management Society of the City College of New York, which is now two years old, has planned an interesting program for the 1950-1951 season. Unique among college societies, the group has as its purpose not theoretic discussion but the opportunity for its members to meet leading credit executives and to derive the benefit of their experience.

During the past two months the group has heard addresses by four such executives including one of its former members who is already an assistant credit manager.

CONFIDENTIALLY SPEAKING - - -

A very hearty welcome, combined with every good wish, to these newly appointed representatives of member companies: **M. C. Hunt,** Credit Manager, Eicor, Inc., Chicago, Ill., has resigned, is now with Simpson Electric Company . . . **George Grass,** American Name Plate & Mfg. Co., Chicago, Ill., has been elected Assistant Treasurer . . . **John Lanning** has joined the Credit Department of Green Colonial Furnace Co., Des Moines, Iowa. He was formerly with Westinghouse Electric Supply Co., where he was succeeded in credit management by **R. F. Vierling,** who comes from Westinghouse Branch at Sioux City, Iowa . . . **C. E. Woodford** is the new Credit Manager at John Morrell & Co., Ottumwa, Iowa, succeeding Ray Campbell, deceased . . . **J. L. Sayer** is now Credit Manager at Asbestos Supply Co., Tacoma, Wash. . . . **L. L. Peppers,** Credit Manager, Barteldes Seed Co., Denver, Colo. . . . **Leonard Steburg,** Credit Manager, Denver Flour Mills, Denver . . . **C. W. Bradley,** Credit Manager, A. Y. McDonald Mfg. Co., Denver . . . **W. R. Pearson,** Credit Manager, Graybar Electric Co., Inc., Denver . . . **Rawlen T. Smith,** Credit Manager, Bluhill Foods, Inc., Denver . . . **R. P. Burns** succeeds J. W. Loter as Credit Manager at Central Supply Co., Denver, Colo. . . . **R. A. Van Winkle** is the new Credit Manager at Strevell-Paterson Finance Corp. at Salt Lake City, Utah.

CALLED TO THE COLORS—Our very best wishes to these representatives and Association members who have been called to military service—**Arthur Miller,** General Petroleum Corp., Los Angeles, Calif. . . . **Maunsell B. Babin,** Electrical Supply Corp., Cambridge, Mass. . . . **W. S. Ames,** Credit Manager, Air Reduction Pacific Co., Seattle, Wash. . . . **R. L. McKenney,** Credit Manager, Consolidated Dairy Products Co., Seattle, Wash. . . . **Graham Wills,** Credit Manager, Ernst Hardware Co., Seattle, Wash. . . . **R. Keith Hamilton,** Credit Manager, Freedom-Valvoline Oil Co., Seattle, Wash. . . . **Richard Buras,** Co., Omaha, Nebr. . . . **Ross Little,** Credit Manager, H. J. Heinz Company, New Orleans, La. . . . **C. R. Brown,** Credit Manager, The Mentholatum Co., Buffalo, N. Y. . . . **Sam Amico,** W. Bergman Co., Buffalo, N. Y.

OHIO CHANGES—**Duane Christ** is now Credit Manager at Robertson Heating Supply Co., Alliance . . . **J. W. Booker** succeeds Chas. W. Ebert as Credit Manager at Eagle Rubber Co., Ashland . . . **Miss Jacqueline Weber** succeeds Mrs. Fisher in charge of Credits & Collections at United Broadcasting Co. (WHKK), Akron . . . **E. W. Lutz** is now Credit Manager at General Tire & Rubber Co., Akron . . . **Raymond E. Wagner** succeeds Robert Osborn as District Manager at Peninsular Steel Co., Akron . . . **R. J. Kilmer** succeeds W. T. Harrison as Credit Manager at Nelson Stud Welding Div. of Morton Gregory Co., Lorain . . . **Glen C. Neal** has succeeded Goss B. Twitchell as Credit Manager at Wooster Rubber Company, Wooster . . . **W. W. Tappan** is now Credit Manager at Diebold, Inc., Canton, Ohio.

Scott Harrod, Treasurer of Bell & Howell Company, Chicago, Ill., has been appointed to the additional position of Secretary and **Lee C. Andrews** has been named Controller of the same company . . . **O. L. Dunn** has been named Secretary and Controller of the General Electric X-Ray Corp., Milwaukee, Wis. . . . **W. K. White,** formerly with J. M. Tull Metal & Supply Co., Atlanta, is now Credit Manager of Coplan Pipe & Supply Company, Ltd., Macon, Ga. . . . **Okey Miller,** Vice-President National Stock Yards National Bank, National Stock Yards, Ill., has been elected Treasurer of the Illinois Bankers Association . . . **Ray E. Watson** is now Credit Manager at Hawthorne Supply Company, Topeka, Kans. . . . **Roy Johnson** has taken over credit management for General Electric Supply Corp., at Springfield, Mo. . . . **Darrell Linn** has been appointed Sales Manager for Mid-Continent Distributing Company, Des Moines, Iowa. **George Miksell** will succeed him as Credit Manager . . . **Thos. A. Simon** has taken over credit management for the Dubuque, Iowa, branch of Crescent Electric Supply Co. . . . **Lucas S. Miel** was recently named President of the Commercial Steel Treating Co., Detroit, Mich. . . . **Miss Blanche M. Bixby** is now Credit Manager at Edgcomb Steel of New England, Inc., Milford, Conn. . . . **Carl Luth** is now Credit Manager of Credits & Collections at Ward Paper Co., Merrill, Wis. . . . **W. R. Grand,** Treasurer of Hotpoint, Inc., Chicago, Ill., was elected Vice-President and Secretary, and **Ralph Spang,** Manager of Accounting, was elected Controller.

NEW YORK CHANGES—**Samuel Ackerman** now Credit Manager at Gehring Textiles, Inc. . . . **David Block,** Credit Manager, Joe Fried Woolen Corp. . . . **George J. Schaefer,** Credit Manager, Columbia Shirt Co. . . . **Francis X. McGoldrick,** Credit Manager, McKesson & Robbins, Inc. . . . **F. F. Schneider,** Robinson Clay Products Co., Inc. . . . **Frank Tautphoeus,** Philco Distributors, Inc. . . . **Raymond J. Hains,** Credit Manager Wall Rope Works, Inc. . . . **Otto Surks,** Credit Manager, Acme Machinery Co. . . . **Miss Florence Jacobs,** Credit Manager, Vicki Lynn Blouses, Inc. . . . **W. L. Berry,** Credit Manager, Ward Leonard Electric Co. . . . **Raymond S. Harris,** Credit Manager, Kenrose Mfg. Co., Inc. . . . **H. S. Lockwood,** Credit Manager, George A. Fuller Company . . . **A. J. Oehmichen,** Credit Manager, Igoe Brothers, Inc. . . . **Herman Olarsch,** Credit Manager, B. Blumenthal & Co., Inc.

THE ZEBRA CORRAL

Los Angeles: On November 3rd, Superzeb Eddie Gueble, of the Los Angeles Herd, and Superzeb Howard Gardner, San Diego, led their respective Herds to Palm Springs, California, for the weekend. Forty-three Zebras made the trip and all were accommodated at the beautiful Rossmore Hotel.

On Saturday evening the Zebras enjoyed a prime rib dinner at the Saddle and Sirloin Club, which was one of the highlights of the weekend. It was a wonderful weekend of relaxation under the desert sun and certainly furthered the friendship and business relations existing between the Los Angeles and San Diego Herds.

Those who were inclined to exercise enjoyed golfing and swimming, and the lazy merely absorbed the sun to their hearts' content.

December 1st found twenty new members in the Zebra Corral to be branded and taken into the Royal Order.

The Zebra Herd has been very active this year and interesting programs have been scheduled for the balance of the year.

Cleveland's Education Forum Features Talk On Korean Commitments

Cleveland: The second in the Cleveland Association's series of educational forums took place November 21 where Earl L. Shaner, chairman of the board, Penton Publishing Company and editor of "Steel," spoke on "Sidelights on Our Commitments in Korea." Mr. Shaner, a former member of the United States Reparations Commission as an iron and steel consultant, has traveled extensively throughout Europe and the Far East.

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Youngstown: K. Calvin Sommer, Youngstown Sheet and Tube Co., vice-president for the central division, spoke at the November 17 dinner meeting of the Youngstown Association of Credit Men. His subject was "Credit Management in a Preparedness Program."

Index of 1950 Articles

Features appearing in Credit and Financial Management during the past twelve months

Electrical Group Elects New Committee Members

SIDNEY WOLBERG, Burndy Engineering Co., New York, has been elected chairman of the Electrical Manufacturers Credit Group. John Carroll, Corey Co., Inc., is vice-chairman.

Committee members are: E. I. Atlee, Jr., I. T. E. Circuit Breaker Co., Philadelphia; Ward L. Berry, Ward Leonard Electric Co., Mount Vernon, N. Y.; William A. Miller, Noma Electric Corp., New York, and Miss K. M. Sheehan, The Thomas & Betts Co., Inc., Elizabeth, N. J.

Fraud Prevention Department Score Goes Up to 1717

BOTH Jack Rubin, who operated as the S & R Food Company at Maspeth, Long Island, and Morris Shapiro, who was president of Gay-Town Blouse Co., Inc., of 56 West 45th Street, New York City, subjects of investigation by the Fraud Prevention Department, entered pleas of guilty during the last month in the Federal Courts for the Eastern and Southern Districts of New York, respectively.

The indictments in both cases charged the use of the mails in a scheme to defraud through the mailing of false financial statements for the purpose of obtaining credit.

Rubin was given a suspended sentence and placed on probation for a period of eighteen months by United States District Judge Leo F. Rayfiel of Brooklyn.

On November 30, 1950, Shapiro was sentenced by Federal Judge Hincks in Manhattan to a term of imprisonment of one year and one day. These convictions bring the Department's score up to 1717.

MEMBERSHIP PROGRESS REPORT

May 1, 1950 to November 30, 1950

San Francisco	25	1277	102.00%
New York	31	3307	101.00
Louisville	10	1092	100.93
Kansas City	17	623	102.80%
Rochester	14	635	102.25
Pittsburgh	16	840	101.94
Houston	16	279	106.08%
Minneapolis	20	505	104.12
San Diego	17	470	103.75
Buffalo	23	206	112.56%
Des Moines	13	253	105.41
Syracuse	11	241	104.78
San Antonio	9	154	106.20%
Green Bay	5	135	103.84
Oklahoma City	2	129	101.57
Charlotte	30	96	145.45%
Terre Haute	11	72	118.03
Nashville	11	87	114.47
Billings	8	65	114.03%
Waterloo	6	51	110.86
Cedar Rapids	2	39	105.41
Topeka	26	41	273.33%
Lubbock	12	34	154.54
Roanoke	4	29	116.00

Davenport: The Credit Women's Group of the Quad City Unit had almost perfect attendance at their November meeting. Our speaker, Mr. Richard Mensing, Credit Manager of Midwest Timmerman Co., completed his series of talks on "Credit & Collection Letters" with a discussion on the sample letters submitted by the members.

Houston: The Houston group of Credit Women held their "Know Your Association" meeting in October at the Lamar Hotel. Mr. W. H. Arnold, Vice President of the Houston Associaton of Credit Men, was the speaker and we all learned a great deal about the activities of the association.

For our November meeting we joined with the Houston Association of Credit Men for their annual meeting at the Rice Hotel on November 20. We were privileged to hear Mr. David A. Weir, of New York City, whose subject was "Ghost Thinking and Goose Stepping."

San Diego: The Credit Women's Group of Los Angeles was the guest of San Diego Wholesale Credit Women at the El Cortez Hotel on Sunday, October 22.

Luncheon was served in the Franciscan Room, after which both organizations enjoyed a film entitled "Harbor of the Sun."

The table decorations were unique, and beautiful, with replicas of navy vessels surrounded by chysanthemums, and individual place cards arranged in miniature boats. Each guest received a beautiful corsage.

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